SEPTEMBER 1974

National ECONOMIC FORUM

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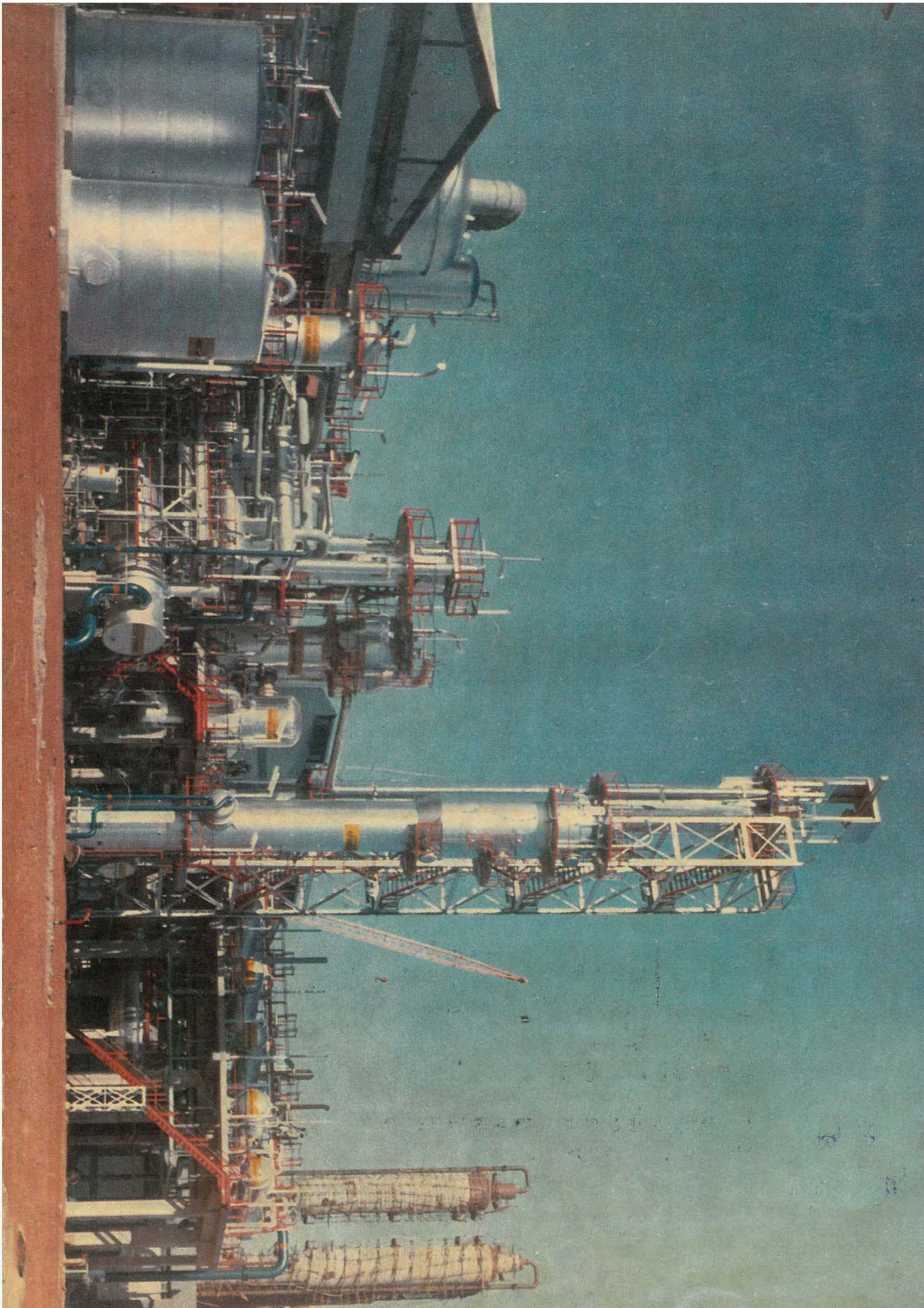

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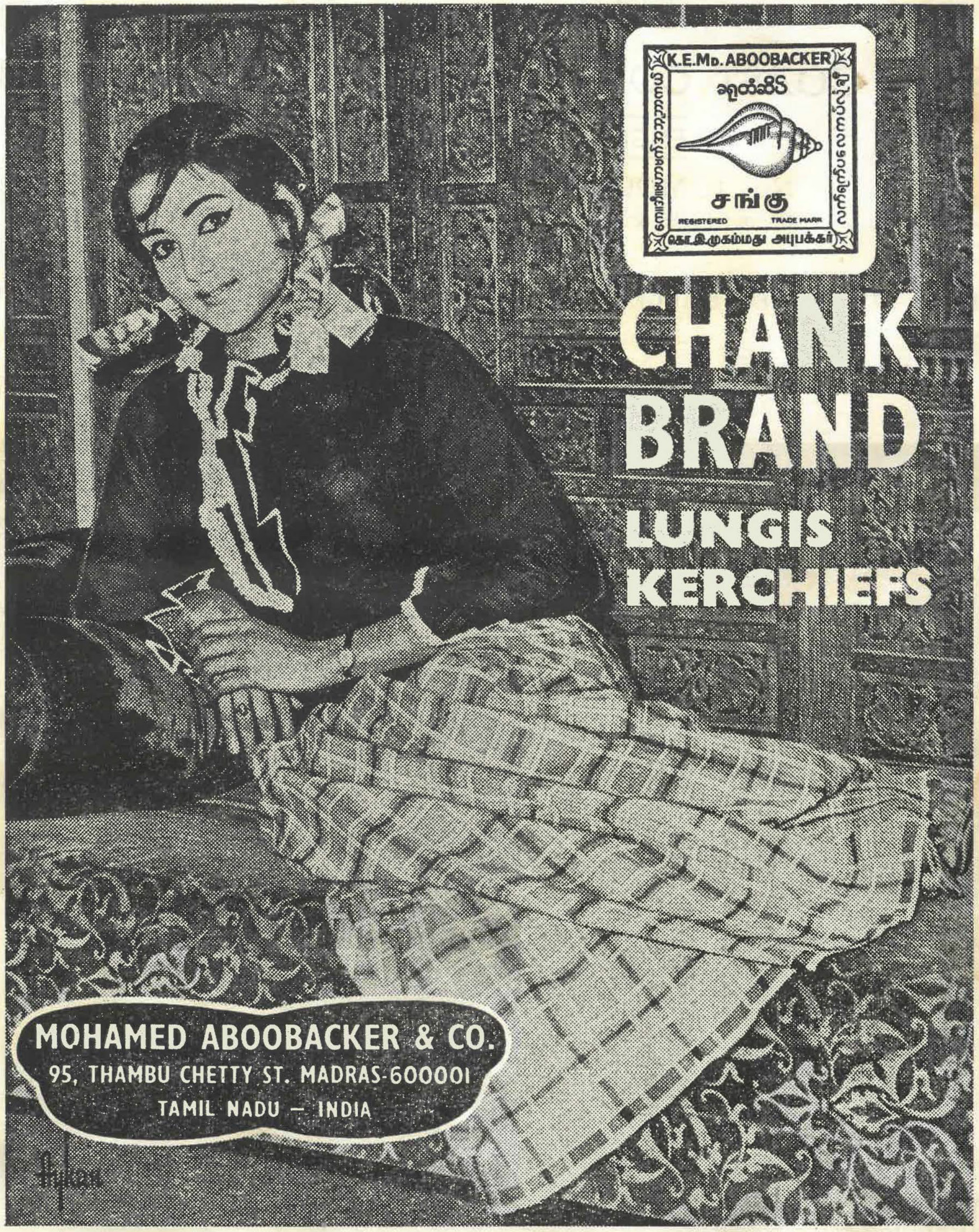

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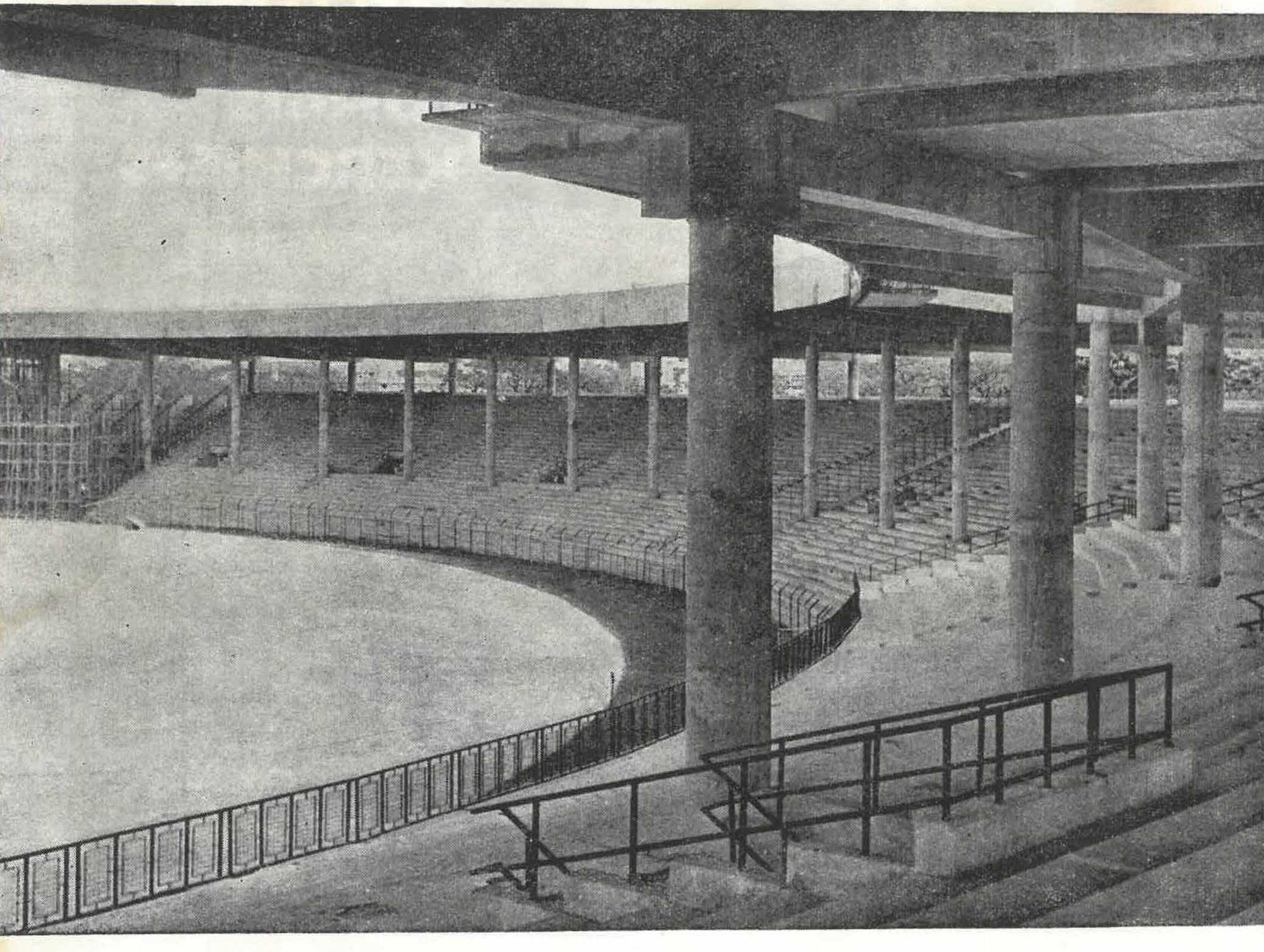

National
ECONOMIC FORUM

The Monthly Viewsmagazine

★

Hon. Editor: **B. S. A. Rahman**
Editor: **N. P. Sheik Abdul Kader**
Publisher: **C. S. Thajuddin**

★

Volume 1 Number 1

SEPTEMBER 1974

CONTENTS

Page

6 **Profile:** Mr. M. A. Chidambaram

9 **SPIC:** A Saga of Indian Endeavour

15 **Blackmoney:** A Wayout
By Prof. C. S. Mahadevan

22 **Damn the Dots !**
By A. A. Ravoof

29 **New Opportunities for Indo-Arab Collaboration**
By A Special Correspondent

41 **Towards Arab Friendship**
By Prof. Syed Ali

44 **New Faces To The Fore**
By Bunny Reuben

Views expressed in the articles are the authors' own and not necessarily of the journal.

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PUBLISHER'S NOTE

The 'National Economic Forum' is launched with a definite purpose and in a spirit of dedicated mission.

A first class magazine of the kind which the 'National Economic Forum' aims to be, is to fulfil a longfelt need, particularly in South India, to espouse the national economic cause. To be finely printed and illustrated, it will be a true mirror of India's economic activities and achievements, problems and possibilities.

It was first intended to bring out the 'National Economic Forum' as an organ, a mouthpiece of a federal type of National Chamber of Commerce.

However, at the suggestion and assured support of many a wellwisher among the industrial and business community, the 'National Economic Forum' ventures forth – of course, until conducive circumstances – as a separate entity.

Mr. B. S. A. RAHMAN

In this regard, we are fortunate in having the inspiration and initiative of Mr. B. S. A. Rahman, an enlightened industrial entrepreneur with farsight and imagination, who has also kindly consented to be our Honorary Editor.

It is felt that the time has come to project a positive image of our country with its tremendous reserves of vast human resources and capabilities of rapid progress.

In particular, the image of India in the Arab countries has to be boosted up to mutual advantage. Most of the West Asian countries, oil rich, with immense capacity for investment, are still virgin to accommodate many a development project. And, India, on its part, has technical knowhow, expertise and even equipments to offer them in many fields.

Towards these ends, the 'National Economic Forum' will strive in its own but purposeful way. Month after month, it will provide a varied fare, economic, soical and cultural, to be contributed by experts in their own fields, in a manner which will not only interest the laymen but will also receive the appreciation of the specialists.

All said, it is really encouraging that our well-meaning friends, including economists, have expressed the opinion that the monthly publication of the 'National Economic Forum' is a timely project – one that is bound to succeed in due course. May it be so!

COVER :

Front: Mr. M. A. CHIDAMBARAM (*Photo*—Jamal)
Back: A view of SPIC Complex (*Photo*—SPIC)

THE 'FORUM' BEGINS

With optimism as our keynote, we make our bid into the difficult world of economic journalism.

What with the worldwide newsprint shortage and exorbitant cost of production, if we are launching forth, it is because of our earnest desire to be of some service to the country and the nation – not only at this critical phase but also in the good times to come.

Inspite of over twenty-five years of independence, the country is yet to be completely free in the full sense. Its economy is not strong enough and is still dependent on foreign aids.

Right now, the country is confronted with a deepening economic crisis, beset with industrial stagnation, agricultural setbacks, shortage of essential commodities, spiralling prices, growing unemployment, galloping inflation, not to speak of the *malafides* of the evil genie of blackmoney.

In the common effort to find a way out, the *National Economic Forum* will be a truly national forum for the expression of ideas and opinions, unfettered by any political bias or partisan view.

The world is fast moving towards an era of interdependence and co-existence. India cannot remain an exception to this.

As one of the rapidly advancing among the developing nations, it has much to offer to other emergent countries by way of technical knowhow and expertise, equipment and personnel.

A significant start has already been made in East Africa and Malaysia. But as far as Arab countries are concerned, they are almost 'fresh pastures' for full exploration of the possibilities of Indian collaboration and joint ventures.

The Arabs came to India long before Islam reached its shores. They traded their renowned breeds of horses for Indian merchandise such as spices and silks. Now by an abundant favour of nature, there lies in the womb of their arid lands, enormous oil wealth which is estimated to yield a revenue of 500 billion dollars in a decade's time. While for several other nations how to earn is the problem, the Arabs' is how and where to invest their oil revenues.

The US, Europe and even Japan have already started to flood the oil affluent Arab countries with their development proposals.

With its traditional friendship and trade with the Arabs, India too can win a good part of their investments, if earnest efforts are made.

In this regard, the *National Economic Forum* will play its part in the projection of a better image of India in West Asia and North Africa and explore avenues aimed at promoting beneficial relations with the Arabs.

President :

Fakhruddin Ali Ahamed

Fifth President of the Republic of the Union of India and the second from the largest minority community in the country to be elected to the august office is Mr. Fakhruddin Ali Ahmed. After Dr. Rajendra Prasad, he is the first to be elevated directly to the presidency unlike his predecessors who had served terms as Vice-Presidents.

FREEDOM MOVEMENT

Born in Delhi of an Assamese father and a mother who belonged to a former Nawab family tracing its lineage from the famous Urdu poet Mirza Ghalib, he received his early education in UP, matriculated from the Punjab University and later, practised law in Calcutta. Thus, he is an Indian in the real sense. A graduate (history tripos) of the Cambridge University who was called to the bar from the Inner Temple in London, having missed the ICS due to sudden illness, his wide travels abroad, both officially and non-officially, have made him a true citizen of the world.

Though he was the son of a colonel in the Indian Medical Service under the British rule and inspite of his western education, he was drawn into the country's freedom movement as a young man, like Jawaharlal Nehru and Subhas Chandra Bose whose guidance he later had in his political life. In 1935, four years after he joined the Indian National Congress as a primary member, he successfully contested the Assam Assembly election from a reserved Muslim seat against the strong opposition of Sri Mohamed Saadullah who was then in power.

STATE MINISTRIES

He joined the first congress ministry in his home province in 1938–39 as Finance and Revenue Minister but resigned from the government along with the Premier, Mr. Gopinath Bardolai in 1940 to offer individual satyagraha as commanded by Gandhiji. Again, in 1957 and 1962, he was taken into state ministries to hold various portfolios : finance, law, community development, panchayat and local self-government.

He has been a member of the Rajya Sabha twice – for a full term from 1952 and in 1966, when he was first sworn in as the Union Minister of Irrigation and Power and then as Education Minister.

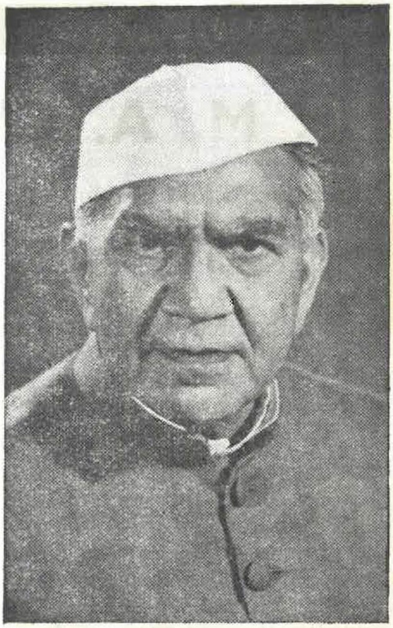
After his election to the Lok Sabha in the1967 general elections, he was appointed Union Cabinet Minister for Industrial development and Company Affairs. In 1970 and after his re-election to the Lok Sabha in 1971, he was assigned the portfolio of Agriculture.

As a senior most member of the Political Affairs Committee of the Union Cabinet, he was associated with all the political decisions of the Government.

SOCIAL GRACES

Not only is he a passionate sportsman, particularly interested in hockey and tennis and of late, in golf, and at times, going ahunting but is also a man of social graces and simple habits. Short and frail though, he is noted for his strength of loyalty and serenity of spirit. In his youth, he was writing Urdu poetry but was dissuaded from it by a family friend who advised him to do "something more rewarding in life."

At forty, he married Begum Abida who was then twenty years his junior and they have two sons – Parvez and Badar and a daughter, Sameena. The First Lady is a creative artist, but above all, a family woman and a humble person shunning publicity though she works much for good causes.



AHAMED : FIRST CITIZEN

SIGNAL HONOUR

"The Parliament in India is supreme and the President can act only in the light of its decisions and opinions. The Indian President can act only in the light of its decisions and opinions. The Indian President has certain functions to perform under the constitution. His directions have to be within its four corners... The President has to bow to the wishes of the people and Parliament. I have always respected the Constitution" – these words sum up his view on his functions and duties as President.

His election to the presidency is not only a signal honour to the community to which he belongs and a shining example of the secularism of the country of his birth but it will also be a sustaining strength to the growing Indo-Arab ties.

Mr. M. A. Chidambaram

Radiating from behind the quiet demeanour, soft speech and genial temperament of SPIC Chairman Mr. M. A. Chidambaram is a very dynamic personality that has made him one of the top leaders of industrial India, also wellknown in the international industrial world.

In his fiftysixth year with greying hairs, his enterprising spirit not dimmed a whit, he is the driving force at the South India House which controls a large group of industrial and commercial concerns and is associated as director or chairman with over twenty companies all over India with varied interests including steel, sugar, automobile, shipping and chemicals.

He has been instrumental in Tamilnadu getting a prominent place on the industrial map of India. He brought into existence the Southern Petrochemical Industries Corporation Limited. He also promoted the Southern Agrifurane Industries Limited for the largescale manufacture of Furfural and is its Chairman.

Enlightened Industrialist

He was born as the sixth child and third son of late Dr. Rajah Sir Annamalai Chettiar, renowned for his business acumen, religious charities and educational endowments, in a family whose business is banking and trade. However, his association with industry started at a young age when he was appointed as a Director of Indian Aluminium Company Limited. Since then he has been one of those foremost in the industrialisation of South India.

An enlightened industrialist whose aim is to find more and more jobs for the unemployed of the country and to see that the living conditions of the people are improved, he and his associates have started industries in underdeveloped areas —the SPIC complex at Tuticorin in Tirunelveli District and a large plant in Aurangabad for manufacturing automobile parts and another in Pratapgarh in Uttar Pradesh for manufacturing tractors. This will not only help developing the areas concerned but ultimately, the overall production in the country.

With his long years of industrial experience and pragmatic approach to and objective thinking on industrial problems and issues, his advice is sought after by both the state and central governments.

Liberal Outlook

Kind-hearted, with a liberal outlook, he takes good care of the people working with him, be they directors, executives or those in the labour cadre. With his encouragement of labour and officers' participation in solving problems, his group of companies is like a miniature democracy in action. His supreme belief in professionalism and professional management has endeared him to many of the top technocrats of the land. He always consults them and is happy to take their advice.

No wonder, the atmosphere of a large happy family prevails in the South India group, with no major labour or employer-employee problems.

Himself happily married, he is the father of two children — a son who is proving himself a 'chip of the old block' and a daughter.

A keen and active sportsman, his first love has always been cricket, closely followed by tennis. Through the passage of time he has come to the forefront in both fields where he has carved a niche for himself. Mr. Chidambaram has guided the destinies of the Board of Control for Cricket in India as President for a term and has raised the stature of Indian Cricket in the international sphere. He has also served as President of the All India Tennis Association. He is at present the Honorary Treasurer of the Board of Control for Cricket in India and President of the State Association for Cricket.

To quote his own words : "I devote atleast fifty per cent of my time to the development of sports in the country. Though sometimes, these sports activities take up more of my time, even more than my business commitments, I do not like to neglect either of them and want to make a success of them both." And, to his credit, it must be said that he has been successful so.

A keen lover of animals, Mr. Chidambaram has an abiding interest in horse-breeding and as a patron of the turf, he has few equals in the country. Besides, he takes active part in the administration of racing, particularly in South India.

City Father

Not only to sports but to public and social activities as well, Mr. Chidambaram does find time amidst his work-crammed official routine. In 1955, he was elevated to the mayoralty of Madras. Under his active guidance as the City Father, the premier city of Tamilnadu was developed, in a planned way, into a fine metropolis with good water supply, welfare

institutes for the under-privileged and homes for destitute children, education and training institutes.

His services towards the welfare of the Army and civil defences are many, in recognition of which he has been appointed as an Honorary Colonel of the Indian Territorial Army.

The Southern India Chamber of Commerce owes a lot to Mr. Chidambaram who was its president from 1951 to 1957. There is no gainsaying the fact that he is the builder of the Chamber which speaks highly of his leadership in industry and commerce.

For the past twentyfive years he has been doing yeoman services for the propagation of Tamil Isai (music) as the Honorary Secretary of the Tamil Isai Sangam, which was founded by his illustrious father and late Sir R. K. Shanmugam Chetty, noted for their patronage of arts and culture.

He is also the Honorary Consul-General for the Philippines in Madras.

Good Causes

Ever obliging for a good cause, he gave an interview to the *National Economic Forum* at his elegant office at the South India House. Some of the questions and his answers to them are as follows :-

Q : Is the present industrial policy of the Government of India conducive for the industrial development of the country?

A : The present industrial policy of the Government is quite adequate for the development of small, medium and large-scale industries. But hasty ordinances sometimes upset the growth of the industry. They do try and correct it after some time. But during this period, the industries have to face disturbing factors like credit squeeze. It dampens the interest of the entrepreneurs. If only the government gears up to rectify some of the defects in its industrial policy, I am quite confident that the industries will grow quite fast.

Q : With the threat of nationalisation of industry, can there be active promotion of industrial development in our country?

A : There is no threat of nationalising any industry by the present government. But individual units in some large industries have been taken over by the government on account of either bad management or acute labour problems. I am glad to say that most of these individual units taken over by the government organisations have done well. The industries that could be nationalised in the country are steel, coal, barring transport. This is a natural phenomenon in most of the developing countries and if the government is really serious to run them in commercial partnership, there is no doubt that nationalised industries will also do very well. One aspect that I can suggest is that the Government should allow private entrepreneurs to start industries even in the nationalised field. Why not a few collieries be given to the private sector which will act in competition to the state collieries? We have a parallel in steel industry. Why not even in transport? Monopoly is definitely deterimental to the nation's progress.

SPIC Chairman CHIDAMBARAM: AT THE HELM

Q : Are the labour organisations in India cooperative? Is any change required in their setup?

A : Our labour are quite cooperative, provided the management understand the labour problems. Proper education about the industry to the labour and proper coordination between labour and management are very necessary and if this is done and followed systematically, I have no hesitation to say that our labour would do much better.

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SPIC Complex: A Saga of Indian Endeavour

An arid desolate waste has rapidly been changed as if by a magic wand, into a very modern industrial landscape. Like a dream come true, a mighty idea has been transformed into a vital, throbbing and living entity. Ten kilometres from Tuticorin in the backward area of Tirunelveli district, beside the Gulf of Mannar, has, within four and a half years, risen a new skyline, a new profile of a fertiliser and chemical complex, now on the verge of starting production, with an ammonia plant which is the largest so far in India and a urea plant, perhaps the largest in the world. This is the incredible but proud accomplishment of the Southern Petrochemical Industries Corporation Limited - in short, SPIC.

And, the moving spirit behind the venture, nurturing and guiding its progress is Mr. M. A. Chidambaram. In October 1969, soon after the Tamilnadu Government received the Letter of Intent from the Central Government for a very large fertiliser and petrochemical industry in the South, it was suggested that he should organise and implement the gigantic project.

A Bold Decision

Tuticorin, a commerical town with a hoary past, was then with no infrastructure for industry. Drinking water was scarce, let alone the large amount of water required for a fertiliser industry. The roads in the area were in a primitive state. Though a port, being almost at the tip of peninsular India, it was situated at the longest distance from centres of industry such as Bombay, Calcutta or Delhi from where most of the raw materials and equipments were to be requisitioned. Above all, it was served by only a metre gauge railway line.

However, Mr. Chidambaram made a bold decision and came forward to put up the plant at Tuticorin. He was lucky in getting the collaboration of Mr. K. R. Srivasta, a wellknown figure in fertiliser and petrochemical industry and manage-

MUTHIAH : technocrat

ment in India and abroad. As the management director of the Gujarat Fertiliser Company with assets over Rs. 60 crores, he was responsible for its phenomenal growth which was termed as 'the success story of this decade in the fertiliser and chemical world.'

Mr. Srivasta organised and planned the project with meticulous care. Once the entire project was entrusted to him, he had the full authority to create norms, procedures and codes and get selected the best personnel for management. Mr. M. G. Menon, a management technologist with rich technical experience, both at home and valuable organisational skill, Mr. A. C. Muthiah, a mechanical engineer in his thirties with overseas training, who has inherited his father's flair for industry and trade, together with love for sports, and others of their calibre were taken in for SPIC service.

Pioneering Features

On December 18, 1969, the Southern Petrochemical Industries Corporation Limited was incorporated to become an example of the three promoters concept, a hybrid comprising the TIDCO representing the government, the private sector group led by Mr. Chidambaram and the professional management group led by Mr. Srivasta.

The whole complex was conceived as a joint sector enterprise for growth and profitability so that it would not impair the motive force of the private entrepreneurs, competence and complete jurisdiction of professional management or government responsibilities in catering to social and economic justice. In the words of its chairman, having the State Government as a partner is a great help in that it gives confidence to the public. Moreover, in his view, if any large complex functions successfully, it will be entirely due to the efforts of the professional management.

The SPIC has embodied many novel and pioneering features, including utilisation of the highest quantum of indigenous equipment and technology and con-

STOP CHATTING!

To stop its employees from chatting at work, one large British enterprise has arranged a special service designed to satisfy their curiosity.

Each one of the 500 employees may, from 10 a. m. on pick up a phone and hear the latest 2 minute taperecorded company news about the bill of fare at the snackroom, weddings, retirements, meetings, interesting purchases made by their colleagues and so on.

struction facilities and no foreign technical or managerial involvement in the direct implementation of the project at any stage.

The first steam generation plant – by far the largest project of its kind in the whole of India – has been completed entirely indigenously by BHEL. This itself was a project with an outlay of Rs. 7 crores. Its timely completion is of paramount importance for the commissioning of the ammonia and urea plants.

The gigantic fluidising blower with a capacity of 400,000 M3 per hour was supplied by ACCEL – another instance of Indian achievement.

The cost of the complex was originally estimated at Rs. 71.70 crores. But due to additional facilities and scope and revaluation of the Yen budgetary imposts, high increases in the fuel oil and naptha prices for reasons of *force majeure* nature, the present revised estimated cost is about Rs. 89 crores upto December 31, 1974 (including the foreign exchange equivalent to about Rs. 33 crores). The capital cost per ton of nutrient is by the lowest in the country.

High Calibre

As suitable management and technical personnel is the life-giving force of a complex of such magnitude and with sophisticated plants even at the project stage, considerable emphasis was placed on setting up all facilities for training SPIC's required manpower. Handpicking and training, it has moulded highly technically skilled and alert men – hundreds of engineers, supervisors, foremen, agronomists, research scientists, technologists, mechanics, fitters, welders, electricians and others – to SPIC's philosophy of productivity, profitability and growth. The elaborate training programme has helped not only SPIC aiming at having a compact high calibre organisation, but has also enriched Tamilnadu's and national talent pool. In due course, the training facilities available at SPIC's training centre will be utilised to train engineers and technicians of the projects from Tamilnadu and India and also from Malaysia and Sri Lanka.

With a sense of social obligation, the SPIC virtually had to take personal interest to organise and ensure completion of many facilities, including the water supply schemes, harbour facilities and road development.

The SPIC's total requirements of power is about 22 mW. A 110 kV substation has been put up by the Tamilnadu Electricity Board. SPIC's project requirement of water would be 8–9 million gallons per day. The Tamilnadu Water Supply and Drainage Board have laid 20 million gallons per day pipelines from a tank fed by the River Tamiraparani. On behalf of the Tuticorin harbour project, the SPIC took on hand, at the cost of Rs. 90 lakhs, work relating to laying pipelines for fuel oil and naptha upto port limits to meet its requirements. Besides, SPIC's railway siding, branching off from the harbour railway siding and costing Rs. 35 lakhs, has been commissioned in time.

Relentless pursuit

Speed has been the keynote of the promoters. No wonder, SPIC's young and middle aged men have been working 80 hours a week with relentless pursuit towards perfection and complete achievement.

Though started five months behind schedule on account of non-availability of foreign exchange due to the Bangla Desh liberation war and the import license made available also after the foreign exchange was available, the 1100 mt/day ammonia plant (annual capacity: 363,000 mt) was completed and installed in April 1974 – over 5 months ahead of schedule in 22 months as a non-turnkey job with 65% average of all Indian efforts in every sphere and field. President Naito of Toyo Engineering Corporation, associated with the building of the plant, has recorded that "this achievement is one of the most significant technological features in the world" and has saluted all the men behind the venture for doing their work "in the fastest time in the world as a non-turnkey job."

According to the norms of the Government of India and the proposal made by the SPIC to the financial institutions and other commercial agencies, SPIC was supposed to start commercial production in October, 1974, after completion of the erection of the ammonia and urea plants by the end of May 1974. However, due to the intervening Bangla Desh crisis which affected all projects in India and all foreign credit allocations for some months, the actual commercial production scheduled at an average rate of over 70%, was put of to December 1974. However, according to latest indications, production may start much ahead.

The construction of the urea plant, a 1600 mt/day unit with an annual capacity of 528,000 mt, started in February 1973, has been completed in less than

14 months, erecting over 3000 tons of equipment and moulding 40,000 inch dia of piping. This achievement in a non-key project was rendered possible only by the Japanese and Indian suppliers and by the indefatigable followup, inspection and coordination done round the clock by the SPIC team.

Financial Institutions and banks, led by the Industrial Development Bank of India, have also played a very significant part in the achievement.

Knowhow and Design

The knowhow, design and certain equipment which could not be made in India were contracted from Toyo Engineering Corporation. The main contractors for supply, procurement, foreign design and engineering are : Davy Power Gas Limited of UK, Toyo Engineering Corporation of Japan for the urea plant; and Hitachi Shipbuilding and Engineering Company of Japan for SA, PA and DAP plants. The Indian contractors and suppliers number over forty.

The processes for the company's ammonia and urea plants have been selected, keeping in view the integrated optimum from feed stock to ammonia fertilisers. The water treatment plant, employing the ION exchange process, will purify and demineralise the raw water received from the offside boilers.

The Government of India have approved the project to be based on Naptha as feed stock. The Indian Oil Company have agreed for the supply of the required Naptha and fuel oil. Phosphate rock, sulphur and potash will be imported. The annual requirement of raw materials for the various plants at full production will be:–

Naptha : 290,000 mt; fuel oil : 170,000 mt; phosphate rock: 185,000 mt; sulphur : 54,000 mt; Potash : 66,000 mt.

With the availability of Ammonia and CO2, when the ammonia plant is commissioned, the SPIC has programmed to produce 2,50,000 mt urea by March 31, 1975.

Marketing Policy

While in full production, the SPIC may be marketing annually fertilisers about Rs. 90 crores, generating about Rs 900 crores of agricultural wealth. In fact, SPIC is one of the very large and important projects on which the Government of India would depend for alleviating the shortage of fertilisers and keeping up the tempo of agricultural production.

In 1972 and 1973, India has imported over Rs. 335 crores worth of fertilisers. The marketing of SPIC production will ensure considerable saving in foreign exchange.

The unique concept in SPIC's marketing policy is the creation of SAMO (SPIC Agrochemical Marketing Organisation). In order to ensure supply of fertilisers to the largest number of farmers and to make fertilisers conveniently available to farmers, SPIC has decided upon three channels for distribution : cooperatives, SPIC agro service centre and private dealers. SPIC marketing policy for Tamilnadu for 1974–75 through 1976–77 has now been finalised. Seventy percent of the allocation for Tamilnadu from SPIC production will be allotted through cooperatives; and 30% will be directly sold through SPIC's 200 own depots to mixers, blenders and planatations. These will be moderating and standardising centres in order to assist the cooperative entres maintaining the required standard of service to farmers.

Allied Industries

If SPIC's efforts for a second complex, possibly at Cuddalore,

STORY OF A STAMP

A special postage stamp of 50 np denomination was released on July 15 this year in honour of Tipu Sultan (1750-1799), the Lion of Seringapattinam, who was a valiant fighter for freedom, a tolerant ruler, an able administrator and a patron of art and learning. During the silver jubilee year of India's Independence, the 174th death anniversary of Tipu Sultan, who was the first ruler in the south to raise the banner of war against foreign domination and proved himself a terror to the British, was celebrated on a grand scale by the Karnataka Government. Addressing a mammoth meeting held in front of the Ranganatha Temple to which this Muslim king had made liberal grants, the Prime Minister recalled his many noble qualities. The same year the Government of India, on the recommendation of the Indian Philately Advisory Committee, of which Mr. A. K. A. Abdus Samad, M. P., is member, decided to issue a stamp in honour of Tipu Sultan.

with an ammonia plant (1200 tonnes/day), urea plant (1900 tonnes/day unit), DAP plant (850 tonnes/day), phosphoric acid plant (425 tonnes/day) and sulphuric acid plant (1200 tonnes/day) becomes a reality and its proposal for an industrial refinery at Tuticorin is also accepted by the Government of India, SPIC will be in a position to bring out a large petrochemical complex with extensive production of various grades of plastics, fibres, synthetic rubber and various solvents and other chemicals required for the development of chemical industry which is generally backward in Tamilnadu as compared to Maharashtra or Gujarat.

SPIC is already engaged in giving shape to allied industries based on technical, commercial and financial integration. Thus, Tamilnadu Alkali Chemicals (TAC), another joint sector project, has been created as a subsidiary of SPIC, to produce annually 72,000 mt of soda ash, 72,000 mt of ammonium chloride; 86,400 mt; NPK; 50,000 mt of soil stabilisers; 1200 mt. of L.Lysine; and 5000 mt. of melamine.

Government Interest

The Government of Tamilnadu have consistently taken an abiding interest in the implementation of SPIC's project right from its inception. But for the support and help received from its various agencies, this project would not be as satisfactory as it is today.

All said, the growth of SPIC to span the country is a saga of human endeavour and perseverance. At present, it has 346,000 shareholders, representing a wide cross-section of the people. And, reflecting public confidence in its success, SPIC shares are now being quoted at various stock exchanges around Rs. 23 for Rs. 10 face value.

The philosophy of SPIC management is : "Factory lives in township". Commensurate with this and the healthy dictum that staff working on the project have to be provided with reasonable degree of living comfort which in turn will contribute to better productivity, the SPICnagar has come into being with eight categories of quarters. Five hundred houses have been completed and occupied and another 100 houses are being built. The new township, having a small medical centre, a well laidout shopping centre with a plaza attached to it and a school presently run with two systems, one based of Tamil medium (5 standards) and another based on English medium (8 standards), is kept spick and span by the SPICnagar Council.

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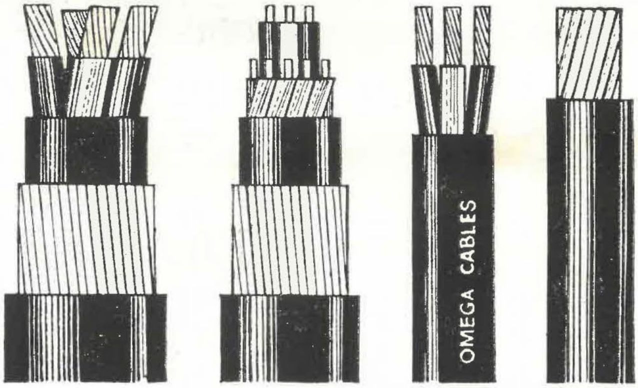

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Black Money: A Way Out

By Prof. C. S. MAHADEVAN

Every one, including those who have created it, have acknowledged openly that black money is the cause of the present economic crisis. The funniest part of it is that the loudest protest against black money comes from those who have it in abundance. It is a case of the thief searching for the thief.

What then is this black money? Is it black in colour or does it refer to the money earned in darkness or is it the money which is earned by unfair means or does it indicate the earnings which cannot be accounted? Though it is not dark in colour, it is something earned by resorting to dark or unfair means. To be more appropriate, it is the money which cannot be accounted. It arises out of all payments made or received off the account. This reminds me of the story of an employer who asked his son to give the new manager of the company, a sum of Rs. 100 per month under the table. The latter strictly obeyed the father's instruction and on the 1st of the month called the manager and asked him to sit under table and said : "Take this hundred rupee note. Daddy wants me to give it to you this way". The manager, though puzzled at the hospitality, had a hearty laugh at the ignorance of the young boss.

Black Money

Black money arises when prices of goods and services rise. It is the product of high prices and is also the cause of it. A scarce article having a control price of Rs. 100 per unit will be sold at Rs. 160. When the transaction is effected, the receipt will be given only for Rs. 100/–, the balance Rs. 60 will be paid without obtaining any receipt. In other words against a receipt of Rs. 100/–, the actual payment will be Rs. 160/–. The difference is off the account. A house owner may let a house for Rs. 700/– but may give a receipt only for Rs. 500/–. Consequently, only Rs. 500/– becomes taxable, and Rs. 200/– escapes taxation.

So long as this black money is hoarded, there is no trouble. The real trouble arises when it is spent. As is usually the case, the earners of black money spend the same rather earnestly. Services and goods for which we pay at a lower rate will be paid at enhanced rates and this will push up the prices of goods and services there by causing an inflationary situation. If black money is invested in industries, more goods and services will be produced and the effect of black money on price level may not be disastrous. But very often holders of black money use it for wasteful consumption; for bribing legislators and officials and other similar purposes. Excessive Bank credit to Governments and individuals too may cause the creation of black money as well as proliferation of unaccounted incomes. This would happen when credit is not put to the full use of creation of goods and services.

Monetary Reforms

It has been estimated by Prof. C. N. Vakil that the upper estimate of black income during 1972–73 was of the order of about Rs. 9,000 – 10,000 crores and black money of about Rs. 1,800 – 2,000 crores. As a result there was a rapid increase in the volume of money supply. When the increased money supply is not properly canalised for productive purposes, there will be a galloping inflation which can be effectively tackled only by resorting to a monetary reform as well as by adopting follow up measures for increasing the output of the agricultural and industrial sectors.

Industry itself is an area where black money and black income can be generated. An industrialist friend of mine told me that the Indian industrialist is hardly interested in scientific techniques of management and marketing.

> **TAXATION**
>
> Professor of Economics: "Give me an example of indirect taxation ?"
>
> *Gopi:* "The dog tax, Sir"
>
> *Professor:* " How is that? "
>
> *Gopi:* "The dog does not have to pay it"

Most of the products have a sellers' market. Only in a competitive economy marketing can have an effective role. So too, with management. We have managers to mismanage and mismanagement is deliberately encouraged, for, it pays far more dividends. Purchase department is one area in a big industry which affords scope for the creation of black money and this accounts for the post of the purchase manager being given to the near relations of the promoters. In the private sector if a factory is to be established, the supplier of plant and machinery will give 5 per cent commission and this is never accounted. For example, the promoter of a sugar mill can easily make about Rs. 5 lakhs off the account and this money he gets even before his plant goes into production. It is humourously remarked that while his foreign counterpart makes profit by causing a difference

between cost and price, the Indian manufacturer gets his reward even before his goods are produced.

Demonetisation

The experienced hoarder of black money is more worried about demonetisation than anything else. As Mr. S. Narayanaswamy, the Madras industrialist observed, "He is even more worried over the erosion in purchasing power that his salted away currency is daily undergoing." The threats of demonetisation and other strong measures to deprive black money of whatever residual value it has made hoarders of this money anxious and it is they who are against any measure of demonetisation. Consequently, they go all out to put this money to its maximum use. Black money is increasingly used for such purposes as buying antiques, buying works of art, hoarding steel, cash crops, foodgrains, oils and oilseeds. It is also used for buying brass and copper sheets and jarfuls of mercury. Recently, it is playing a big role in financing lavish weddings, purchase of big foreign cars, house building activity, ostentatious expenditure at hill stations, payment of heavy hotel bills, including the Government owned ones like Ashoka, Janpath and Akbar in Delhi. Perhaps as a medium to corrupt officials, it plays a more significant role. Large sums are given, underneath the table, to top and middle level officers to gain economic advantages by those who have money in abundance. Donations to party funds, presentations to officials and Ministers are good outlets for black money.

Black money has thus become part and parcel of our economy. It has come to stay. In fact, we find it everywhere and we do not know which is black and which is white. Jewellery is an ideal source of investment for black money. Sometimes people even invest this money in benami names. I heard of a gentleman who put all his black money on an estate which he bought in the name of a trusted friend of his who finally claimed the estate as his own and refused to part with it and the investor had to keep quiet.

Semibombla

Several remedies have been suggested against black money. The most important is the *Semibombla* which refers to the scheme of the economists for monetary immobilisation through bond medallions and blocked assets. It is actually a supplement to the Economists' Memorandum, on a policy to contain inflation, submitted to Mrs. Indira Gandhi last February. It seeks to tackle at one stroke the twin problems of reversing inflation and rooting out black money and aims at bringing down the price level by a minimum of 25 per cent by immobilising for a period of ten years, a portion of the stock of money and near money assets. This objective is achieved by: (a) erasure of a portion of the nominal face value of high denomination currencies with the facility of compensation for the erased portion in the form of index linked special savings certificates; (b) voluntary exchange of a portion of low denomination currencies for indexlinked special bond medallions; and (c) blocking of a portion of deposit accounts in banks, along with the issuance of index-linked special savings certificates for the holders of these deposits as counterpart.

Adequate compensation has been provided for in the scheme. In regard to currency notes of larger denomination of Rs. 100/– and above (constituting about 54 per cent of the total), a reduction of 30 per cent with cumulative savings certificates of ten years duration for the value of the reduced amount is provided for. Regarding notes of lower denominations, from Re. 1 to Rs. 50, the scheme offers the sale of bond-medallions at Rs. 50 each which can be cashed after ten years. In both cases, however, the interest accumulates at 10 per cent so that the holder can get 2.6 times the value at the end of ten years. The savings certificates have an element of compulsion and hence an adequate compensation

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is provided to make them sufficiently attractive. The medallions will be an optional form of investment and ornaments for the poor section of the people sufficiently attractive to induce them to invest in the same. In the former case, 30 per cent of the currency will be immobilised; in the latter, the amount tendered for the purchase of medallions should be withdrawn from circulation. The cost of medallions to the Government would be limited; the estimate, after due inquiry, suggests that it would not exceed a rupee per piece and may be even less. The scheme specifies that holders of notes of Rs. 100 and above are expected to present them within one month of the date of the ordinance for stamping and for claiming ten year Government savings certificate. shall carry information regarding the name, address. the source of income, the estimate of wealth, the number and names of dependents, the income-tax permanent account number and the tax assessed on and paid by him. Unstamped currency notes of denominations of Rs. 100/- and above will cease to be the legal tender three months after the date of implementation.

Recent Measures

The recent measures comprise of such measures as impounding of all additional wages accounting for the next one year, compulsory deposit of 50 per cent of all fresh and due dearness allowance for the next two years and a ceiling on the distribution profits for the next two years by companies beyond 33.33% of the net profit, within this overall ceiling of a company 12% divdend on the face value of equity shares or dividend payable on its preference shares, whichever is less.

The Government hopes that the measures announced by it would help to break the vicious circle of money income-price chase. However, by themsleves these measures would not be adequate unless producers, traders and self-employed persons are not disciplined. In the ultimate analysis, the success of the curbs would depend upon the reduction in the rate of inflation. The measures announced are aimed at curtailing the demand for essential items. What is important is the rise in the supplies of these goods and even more important is their availability in adequate quantum at reasonable prices to consumers. Man-made hindrances to growth in production have to be removed. Some hold the view that all these measures may not succeed in the objective. They may at the most immobilise 1% of the stock of money. According to Prof. C. N. Vakil, "the effect of the two Ordinances to control inflation will be insignificant as they would immobilise only less than one per cent of the stock of money." He has asserted that there was a serious error in the Government's assumption that money supply to the extent of Rs. 500 crores would be impounded. Prof. C. N. Vakil and Dr. P. R. Brahmananda hold that the impounding of Rs. 500/- crores of increment in gross wages, would imply the impounding in money supply of only about Rs. 100/- crores. Currently, money supply is rising at the rate of 14 to 15 per cent. The Ordinance will, therefore, immobilise only less than one per cent of the stock of money. It is further argued that if the rate of price rise was about 20 per cent per annum, it would probably be reduced to about 10 per cent. However, to the extent that the workers dissave or draw upon liquid monetary hoards, of themselves or of others through borrowings, even this insignificant effect will be the ordinances had considerable elements of inequity. Also, it increased inequity between earnings in the 'white' sector and the 'black sector and at the same time, it aggravated the acute problem of earnings differentials. Unless the Government took separate measures to deal with the problem of earnings in the non-organized (including professional) sector, as it claimed it would do, there would be room for considerable grievances, the effects of which on workers' morale might be quite serious.

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Prof. Vakil and Dr. Brahmananda further asserted that the treatment of permissible dividends for distribution was also inequitous and felt that the Government could have done better by applying a norm for dividends, the average pattern of distribution over the past three years. They said there was no reason why internal resources should be accumulated within the firms and made available for their own expansion. One of the planks in the anti-inflation programme is that the potential investible resources of firms should be redirected to increase wage-good production.

Indexing System

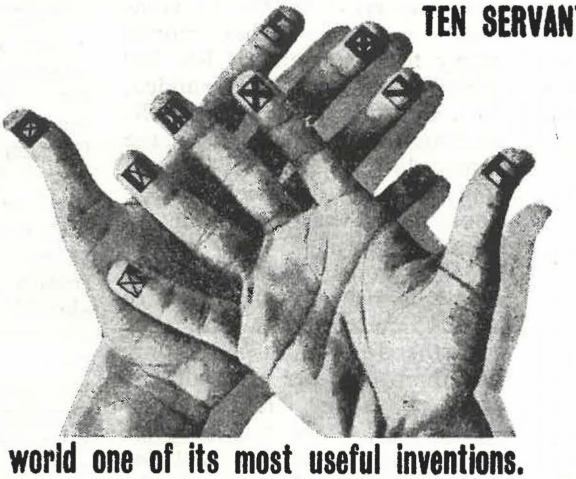
Another much discussed remedy for inflation is sought in the Indexing system. Indexing or inflation-accounting, which took its shape in Brazil has been in operation there since as far back as 1951. At that time, the rate

of inflation was 25 per cent and companies were charged an excess profits tax on returns on nominal capital above 30 per cent. As soon as it was realised that the whole state of affairs was absurd, the companies were allowed to upvalue their fixed assets in line with inflation and put up their nominal capital by the same amount. Accordingly, the companies were required to pay a tax of 10 per cent of the increase in return for this.

This method was gradually refined and applied to wider areas of the economy and in 1964, this principle was extended to the entire economy. The monetary corrections index, as it is called in Brazil, provides a mechanism for adjustment to the impact of inflation on various contracts like interest rates, prices, etc. The Government bonds are indexed in Brazil; wages are also subject to similar monetary corrections.

This device is also applied to savings. The bankers pay the depositors the usual interest and also pay him certain additional amount according to the prevailing rates of inflation for the period concerned. Long term loans, Government securities, mortgages are all also indexed. The personal exemptions under the income-tax and the tax brackets are adjusted by monetary correction. The value of fixed business assets for purposes of calculating depreciation allowance under the tax laws is also subject to monetary correction. In the U.S., Milton Friedman is the greatest champion of this cause and has a great number of followers. The French have also begun studying the Brazilian experiment in great detail and so have the British. If India is to gain anything by applying the Brazillian lesson, it will have to adopt a lot of measures and budgetary discipline is the most important. I feel that the only way out will be a slashing down of the internal value of the rupee. A revaluation of the rupee is the most urgent measure. We need a drastic revaluation of the rupee. As a first important step, the equivalent to 1/5 of the current rupee. This will mean that the existing holdings of individuals and firms in cash and deposits with banks will be written down in value to 20 per cent of the oustanding amounts. If the 5 rupee currency note is declared as equivalent of the one rupee note, the total currency circulation will considerably come down and cause a de-escalation of prices. This should be followed by removal of controls on all productive actions. If this is done, price will fall and the economy will again be on the take off stage. I am hopeful that those who hold authority will not hesitate to take this bold step. Maybe, safeguards are needed to protect small savers. Even then, the measure, though surgical in character, will cure the malady.

TEN SERVANTS OF MAN



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LIGHTER SIDE

DAMN THE DOTS!

By A. A. RAVOOF

The Americans sent man to the moon and the Russians, rockets. In India, the price of rice and other essentials is shooting upward and the sky seems to be the limit. In the face of much adversity, if the Indian citizen encircling him from all directions, keeps smiling and has not embarked on anything drastic, it should be because he agrees with the Mahatma who said: "Had I not been gifted with a sense of humour, I would have committed suicide long ago."

The common man in India is so much seized with the problem of making both ends meet that he neither gets the head nor the tail of the hackneyed terms like deficit financing, inflation and demonetisation. All this economic jargon is Greek and Latin to him.

One need not chastise him for his ignorance. If he errs, he does so in good company. At least one Finance Minister of Britain, on seeing the decimal points in the budget speech that he was expected to present before the House of Commons, exclaimed : "What are these damned dots?"

Ignorance is Bliss !

So, when the Finance Minister of a great country could afford to be blissfully ignorant of the elementary thing in mathematics like the decimal points, what if the common man in India is lacking in the knowledge of high finance? Where ignorance is bliss, it is folly to be wise.

Time there was when borrowing was taboo. Shakespeare said: "Neither a borrower nor a lender be; for, loan oft loses both itself and friend." But nowadays it has become a must to borrow from banks on overdraft, from money-lenders on promissory notes or from friends on payable-when-able basis. If one borrows in hundreds, he is considered influential; if it is in thousands, he is a go-getter; if the figure runs into lakhs, he is a business tycoon; and, if one borrows in crores, be sure, it can be none but the government! In recent times, the Government borrows freely not only from its own subjects but from other governments, provided "no strings are attached", whatever that experession may mean.

Secret of Success

Everyone wants to get rich, but how many have the knowhow? An inquisitive young man was curious to know how his millionaire neighbour made his fortune. It was just after darkness had set in that the boy met him and wanted to know the secret of his success. "It's a long story, my boy", said the old man, "and before I begin it, will you mind if I put out the light?" What he wanted to convey was there was no need to waste electricity. This may be a small thing but what the successful businessman wanted to convey was that if you take care of the paise, the rupees will take care of themselves.

Reducing the wastage to the minimum is one way of effecting economy. Nothing like living within one's means but if one starts depending on others from A to Z, the initiative is lost and the tendency to look to the benefactor for everything comes to the fore. During the second world war, Mussolini was entirely depending on Hitler for everything. As long as the going was good, there was smooth sailing; but when the Axis Powers began to suffer reverses, Hitler found it impossible to go on patronising Mussolini. Because Mussolini had lost all the initiative, when he found himself in a mess, he wired to Hitler : "Please send food." Hitler replied : "Tighten your belts". Mussolini cabled back : "Please send belts."

Tale of Woe

One direct result of this scarcity of essential goods and growing demands is regulated supply and this leads to the formation of queues. You confront queues at bus stops, railway stations, theatres and shops of daily needs, so much so that you can't get a thing done without joining the queue. It seems a certain woman at the advanced stage of pregnancy, sought admission for her tenth confinement in the maternity hospital. The lady doctor on duty, who recognised the woman, teased her saying : "Are you not ashamed to come year after year?" "Why should I?" retorted the woman, "If I don't come, how can I get my shopping done?" Then she subjected the lady doctor to a long lecture. "The first boy waits at the bread queue; the second boy stands at the kerosene queue; the girl next to him

Smile Awhile

TWO ORDERS !

Salesman: "I got two orders to day."

Second salesman: "Really ? What ?"

Salesman: "Get out and stay out !"

* * *

KINDS OF RICE

A school teacher asked a pupil : " How many kinds of rice do we get in our country ?"

"Two, Sir," replied the pupil, "One, the blackmarket rice; the other, 'ration' rice."

can be seen at the queue near the milk kiosk; the next boy..." Before she could complete her tale of woe, the lady doctor had skulked away.

Join the Queue !

With the queue at every turn, children are a blessing – the more, the merrier. They help you solve many an insolvable problem. But for those who are not blessed with children, standing in never-ending queues is a botheration and it gets very easily on their nerves.

One man, who was fed up with queues, decided to commit suicide by jumping from the bridge into the river. As he was nearing the point, he saw a big queue and a police man controlling it. Just as he was about to overtake the queue, the policeman asked where he was going. The man explained that he was fed up with the queues everywhere and so had decided to jump into the river from the bridge. "You can't do it that easy", said the policeman, "join the queue!"

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CEMENT FROM RICE HUSK

The Government of India is conducting experiments on the feasibility of converting rice husk into cement.

The experiments followed publication of a news item which said an Indian civil engineer, teaching at the University of California, P. Kumar Mehta, has developed a process that turns rice hulls into cheap and high quality cement.

He would be invited to India to know more about the process which is still in an experimental stage.

Many rural areas in South Asia, where mud now provides the means for building homes, have the resources to have relatively inexpensive cement, says the Indian scientists and adds :

"In India, I have seen piles of rice hulls accumulated outside rice mills and then burned. The resulting ash is sometimes used as fertiliser. This probably does more harm than good to crop growth".

He thinks India could produce annually as much as two million ton cement from rice hulls.

He estimates that construction of a conventional cement plant costs around five million dollars, while a facility for the conversion of rice hulls to cement should cost only about 100,000 dollars.

According to him, tests of the rice-hull-cement indicate it is "as good or better than Portland Cement".

'FORUM' FUNCTION

A simple function was held at the Bukhari Alim Centre on July 22, 1974, when Mr. T. T. P. Abdullah, Southern Zonal Manager of the Food Corporation of India, performed the opening ceremony of the office of the *National Economic Forum* and Umar Bafaky Thanggal offered 'dua'.

Mr. Abdullah, who was till recently Indian Ambassador to Saudi Arabia, welcomed the publication of the *National Economic Forum* as a timely venture. Mr. B. S. A. Rahman, Honorary Editor, thanked Allah for the materialisation of one of his long-cherished ideas for the promotion of a better and positive image of India abroad, particularly in the Middle East. Mr. C. S. Thajuddin, Publisher, proposed a vote of thanks.

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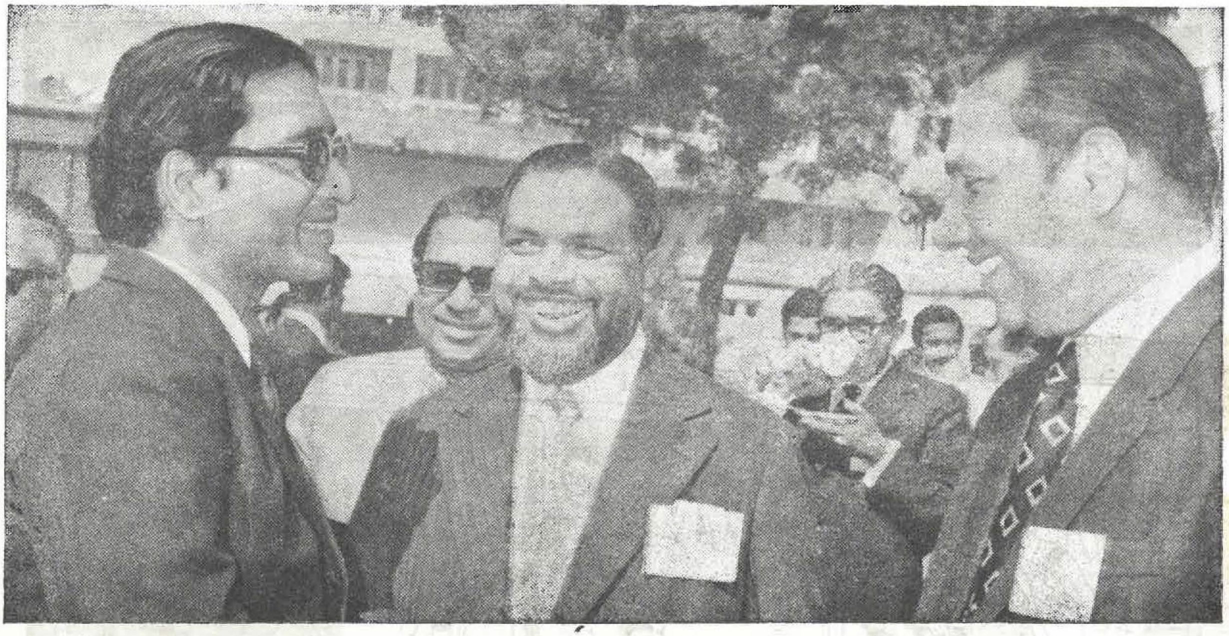

Union Commerce Minister CHATTOPADHYAYA (Left) seen with ABDUS SAMAD, M.P. (Centre) and B.S.A. RAHMAN: A chat aside the Exporter's Convention

INDIAN SCENE

TOTAL PROHIBITION

History has repeated itself. From September 1st this year, Tamil Nadu once again gains the distinction of being the only state in India to have total prohibition. The dry laws, which had been suspended for about three years from August 30, 1971, to meet financial stringency, are being reintroduced in deference to popular will. The estimated annual loss of revenue to the State Government due to reimposition of total prohibition should be about Rs. 56 crores. The State Government is to be congratulated for its bold but welcome decision to lift suspension of the dry laws.

* *

ARABS AND INDIAN A' TEST

The chief representative of the League of Arab States in India, Mr. Ibrahim Shukrallah, has described India's nuclear explosion for peaceful purposes as a matter of "great pride for the Arab States". On a visit to the Ranchi Distrrict Indo-Arab Friendship Society, he said India had made great strides in the field of technology and there was much scope for bilateral co-operation in various fields with Arabian countries. While in Madras, he told newsmen that he visualised closer ties between the Arab countries and India in the near future.

* *

DELEGATION TO WEST ASIA

The Federation of Indian Chambers of Commerce and Industry would soon sponsor a delegation to West Asian countries "to explore the possibility of setting up joint ventures and of increasing our exports."

TRADE FAIR

The Ministry of Commerce will organise an exclusive 'Indian trade and industries exhibition' in Bangkok during January-February next year. The Government will extend necessary facilities to Indian manufacturers and exporters for participating in the exhibition.

* *

BAUXITE WEALTH

A reserve of about 1,050 million tonnes of bauxite with 45.59 per cent alumina content, India's largest and the world's second biggest deposit, has been located in Koraput, Kalahandi, Sambalpur and Bolangir districts of Orissa.

* *

HANDICRAFTS EXPORTS

India exported handicraft goods worth about Rs. 110 crores

in 1973-74 as against Rs. 19.34 crores in 1961–62. Products such as carpets, brass wares, ivory and wood works were exported to cover 90 countries, including West Germany, France, Netherlands, the U.K. the USA, Canada and Australia.

* *

REVOLVING RESTAURANT

A ten-storeyed five-star hotel, housing at least 100 rooms and a revolving restaurant, is proposed to be constructed by the Tamil Nadu Tourism Development Corporation in Madras. The Project, estimated to cost nearly Rs. 1.5 crores, would be completed in two years. A swimming pool, a shopping centre and offices of different airlines to help the visitors to the hotel would be an added attraction.

* *

BHEL FOR NUCLEAR POWER

Bharat Heavy Electricals Limited has undertaken to design, manufacture, inspect and test as well as provide the necessary guarantee for the steam generating equipment for the nuclear power stations being set up in India. This is the first time in the country a manufacturer has come forward to undertake such total responsibility for providing fully-engineered nuclear power plant equipment.

* *

WAGE POLICY

Various aspects of a national wage policy, including steps for evolving a rational wage structure are under Government's consideration. A wage cell has been set up in the Labour Ministry to collect and analyse wage data and other allied matters.

* *

BOKARO STEEL PLANT

About Rs. 550 crores have been earmarked for the expansion of the Bokaro steel plant during the Fifth Plan. The Production of the plant would go up to four million tonnes of ingot steel and pig iron during the Fifth Plan period making it the largest steel plant in the country.

* *

SUBSTITUTE FOR PETROL

Experiments at the Indian Institute of Technology in New Delhi have established that 'ethanol' (ethyl alcohol) can be used as a substitute for petrol with major modifications in petrol engines or specially designed ones. Without major modifications in the petrol engines, ethanol-gasolene blends could be introduced which could result in 25% saving in petrol consumption.

* *

MEN'S WEAR

Indian men's clothes is enjoying increasing popularity in West European countries. Fashion experts ascribe this to the originality, comfort and competitive prices of India-made leisure-wear.

* *

MARUTI CARS

The Industrial Development Ministry has issued an industrial license to Maruti Limited for production of 50,000 cars a year. The Maruti car is expected to cost about 16,000 rupees on the road. Production of these cars is expected to begin next year.

* *

INSTANT TEA

An advocate from Kurseong claims to have invented 'instant tea' of three types – raw, masala and ordinary – produced by natural process devoid of any chemical and as such, would have no side effect.

SUGAR EXPORTS

Taking advantage of the high prices abroad, India has booked orders for the supply of sugar worth more than Rs. 200 crores so far. The total quantity contracted for export is 463,000 tonnes of white and raw sugar valued at Rs. 269 crores. More than 81,000 tonnes have been shipped already. If this trend is maintained, the total quantity exported as well as foreign exchange earnings therefrom might reach record figures.

* *

INDO-YEMENI TIES

India and Yemen have exchanged the instruments of ratification of the cultural agreement signed in march. The agreement envisages development between the two countries in the field of art and culture, education, science and technology, mass media of information and education, sports and games.

* *

PLYWOOD POTENTIAL

The Indian Commerce Minister has said the large potential available for export of plywood to advanced countries and to the Gulf nations needed to be exploited fully with "systematic and conscious planning" by both the industry and the Government.

* *

DISCOVER INDIA !

The Government of India has decided to introduce 'discover India' air tickets for tourists' from September 1. These new promotional fares, payable under foreign exchange charges, would be 200 for 14 days and 275 for 21 days unrestricted travel on the domestic sector of Indian Airlines.

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New Opportunities for Indo-Arab Collaboration

By A SPECIAL CORRESPONDENT

Whoever masterminded the strategy for quadrupling crude oil prices in less than a year for securing to the Middle East and West Asian countries a big increase in their oil revenues, there can be no doubt that this action on the part of the Organisation of Petroleum Exporting Countries has had the most convulsive effect on the world economy. The year 1974 may well go down in the history of economic progress of the developed and developing countries as the most important in influencing a direction which may well result in a pronounced decline in the dominance of the developed countries and a significant improvement in the status of the developing countries. For quite a long time there was no serious debate about the adverse effects of the accumulating surpluses of the opulent countries in Western Europe and Japan and it was little realised that the continued sales of gold by U.S.A. and other countries at and a little above 35 per ounce, until the two tier system of trading in gold was introduced a few years back, that the yawning gap between the incomes of the developed and developing countries and the growing imbalance in international trade will severely retard the growth of developing countries having no rich oil resources or other profitably exploitable natural assets.

GROWING SURPLUSES

The significance of the impact of the oil crisis on the balance of payments position of the important developed large oil importing nations and the weaker developing countries because of their dependence on oil imports, like India, is yet to be fully assessed. But it is becoming clear that the increase in the annual oil bill of 11 main exporting countries on the basis of the revised prices, which became effective from the beginning of 1974, to dollars 80 billion from dollars 30 billion previously, will result in a big accumulation of resources with the oil rich nations. The Middle East, and West Asia particularly, will find it extremely difficult to utilise these resources in a profitable and safe manner. This difficulty will be felt more keenly if emphasis was not laid on the development of the regions concerned, and there was no proper understanding of the outstanding issues. A helpful attitude should be adopted for overcoming the disabilities of the weaker nations which are not so fortunately placed in respect of their requirements of crude oil.

It is not as if the accumulation of surpluses through exports of crude oil and petroleum products has come about suddenly. Ever since huge reserves of oil were located in the Arab and West Asian countries in the postwar period, the world's exports of crude oil in increasing quantities has been taking place from this new region. Inspite of a steadily rising output which is now in the region of 1000 million tonnes annually out of a world total of 2700 million tonnes annually, new reserves are being located and Saudi Arabia, Iran and Libya can hope to double even their annual output in the current decade and yet have sizable net reserves by 1980. It cannot, however, be overlooked that oil is a wasting asset and it will be wrong to assume that a higher level of production can be sustained in the absence of continuing arrangements for exploration of new areas and successful discovery of new reserves. The oil nations have naturally been apprehensive about their ability to maintain exports at a higher rate and remain in the business for a long time. It has, therefore, been argued that a proper price should be determined for black gold and a pool of reserves built up over a period so that the oil economies which do not have any other major resource, will not become vulnerable at a later stage. This is perhaps looking too far ahead, though it must be admitted that there is considerable force in this kind of reasoning.

NEW OIL RESERVES

However, with reports about new oil reserves being found in Iran, large new finds in the Sahara region, aspirations of Egypt becoming a major oil producer and vast reserves of Saudi Arabia, any immediate talk of oil reserves getting exhausted by 1980 is surely greatly exaggerated. Some of the oil producing nations like Saudi Arabia, Kuwait and Libya are even wondering why there should be a stepping up of oil production when the revenues realised therefrom cannot be fully utilised for development of the regions concerned. It has even been suggested by some experts that no useful purpose will be served by taking oil out of the ground only to bury again the revenues realised out of it in vaults because of there being no immediate need for these embarrassing surpluses. It has also been emphasised by some other experts that it would be advisable to conserve oil reserves in order to be in a position to secure higher average

prices on exports at a later date with rising prices and increasing demand for petroleum products.

POTENTIAL RESOURCES

Whatever may be the pros and cons of stepping up production and exports of oil, conservation of existing and potential resources and the validity of the debate for even securing higher prices over a period, the fact cannot be overlooked that huge resources are already being accumulated and even before the pile becomes unmanageable, some leading nations like Iran, Saudi Arabia and Kuwait have started lending these resources for bridging balance of payments deficits of developed countries, and for entering into long term agreements for implementing new schemes in the oil producing countries themselves. While Iran, Kuwait, Iraq and Saudi Arabia are keen on establishing allied industries and exporting refinery products and petro-chemicals, new arrangements have also been made for promoting sophisticated industries, starting nuclear power stations, building fertilizer plants, constructing railway system and the like. France has already concluded with Iran an agreement calling for an outlay of billions of dollars and construction of nuclear power stations, petro-chemical industries and the like and take an advance payment in the bargain for implementing these projects. In return, Iran will supply assured quantities of oil on a long term basis. West Germany also has been successfully negotiating similar agreements with Iran and it has been even reported that Krupps of West Germany, the well known steel producers, have agreed to part with 25 per cent of their equity holding at a negotiated price. This is the first time that the Krupps family has permitted outside participation in the history of Krupps steel works. Britain also has received assistance from Iran to the extent of $1200 million for overcoming its balance of payment deficits. U.S.A., for its part, has not been slow in taking advanatge of the new opportunities for securing investible resources from Saudi Arabia with whom it has already close relations. Some understanding has been reached in regard to the erection of nuclear power stations and other industries, besides supply of large quantities of modern weapons and aircraft. Kuwait too is negotiating with the west about the manner of use of its surplus resources as it cannot spend the huge amounts in its own territory for development purposes.

STRATEGIC POSITION

The strategic position occupied by the oil exporting nations and the fantastic revenues derived by them as a result of the big rise in prices will be evident from the Table given below :

Opulence of Oil Exporting Countries

Country	Population (m)	1973 production (m. barrels per day)	1974 revenues $ (thousand m)
Saudi Arabia	7.74	7.7	19.4
Kuwait	0.74	3.0	7.9
Abu Dhabi	0.20	1.3	4.8
Qatar	0.03	0.6	1.4
Libya	2.10	2.2	8.0
Iraq	10.00	2.0	5.9
Iran	30.50	5.0	14.9
Algeria	15.30	1.1	3.7
Nigeria	58.00	2.0	7.0
Indonesia	121.60	1.3	4.5
Venezuela	11.00	3.5	10.5

As recently as 1972, the main exporting countries earned a revenue of only 18 billion through oil exports. In 1973, the value jumped to 30 billion and in 1974 it will be much higher at over 80 billion. Saudi Arabia will be having an income of 19.4 billion, Iran 14.9 billion, Libya 8 billion, Nigeria 7.0 billion, Kuwait 7.9 billion, Iraq 5.9 billion and Algeria 3.7 billion. Outside the Middle East, Indonesia will have a revenue of nearly 4.5 billion. It is estimated that these revenues will increase by at least 10 per cent annually even without an increase in selling prices. It is of course anticipated that there will be a near doubling of revenue by 1980. As some countries are contemplating an increase in the production, total revenue may be even in the region of 200 billion by 1980.

This embarrassing accumulation of surpluses has lead to speculation in banking circles in

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> **EGG POWDER**
>
> A spray-dried egg powder (Finns Egg Powder, manufactured by Foods and Inns Ltd., Denvar, Sion-Trombay Road, Bombay-88) is now on the market. This can be reconstituted to use in the manner of fresh eggs. But its cost is some what prohibitive — Rs 27.30 for a tin weighing 350 grams, equivalent to about forty eggs.

U.S.A. and Western Europe about how the oil producing countries will utilise them and in what manner a serious upset in international trade can be avoided. Even in 1972 when oil prices remained low the main exporting countries had a surplus of 5.23 billion. The total exports, including petroleum products in that year were 24.23 billion against imports of 18.32 billion. It can probably be expected that the imports of the oil producing countries will treble to 45 billion even allowing for higher prices and larger volume. Even if imports and credits accounted for 50 billion there will be a surplus of 30 billion which will have to be invested in some form or other all over the world. In other words, the oil exporting nations will be accumulating net surpluses at the rate of 2.5 billion every month even after extravagant spending. It is no surprise, therefore, that Mr. William Simons, the U.S. Treasury Secretary toured the Middle East countries and Iran recently in order to conclude agreements which will enable the U.S. Government to promote exports of large quantities of nuclear equipment, industry machinery, arms and ammunition and the like. Private bankers and industrialists also have been formulating new schemes which will be helpful in attracting the surpluses of Saudi Arabia and other countries for promoting new industries in U.S. and elsewhere and for investing also sizable amounts in common stock of existing giant industrial enterprises.

UNSEEMLY HURRY

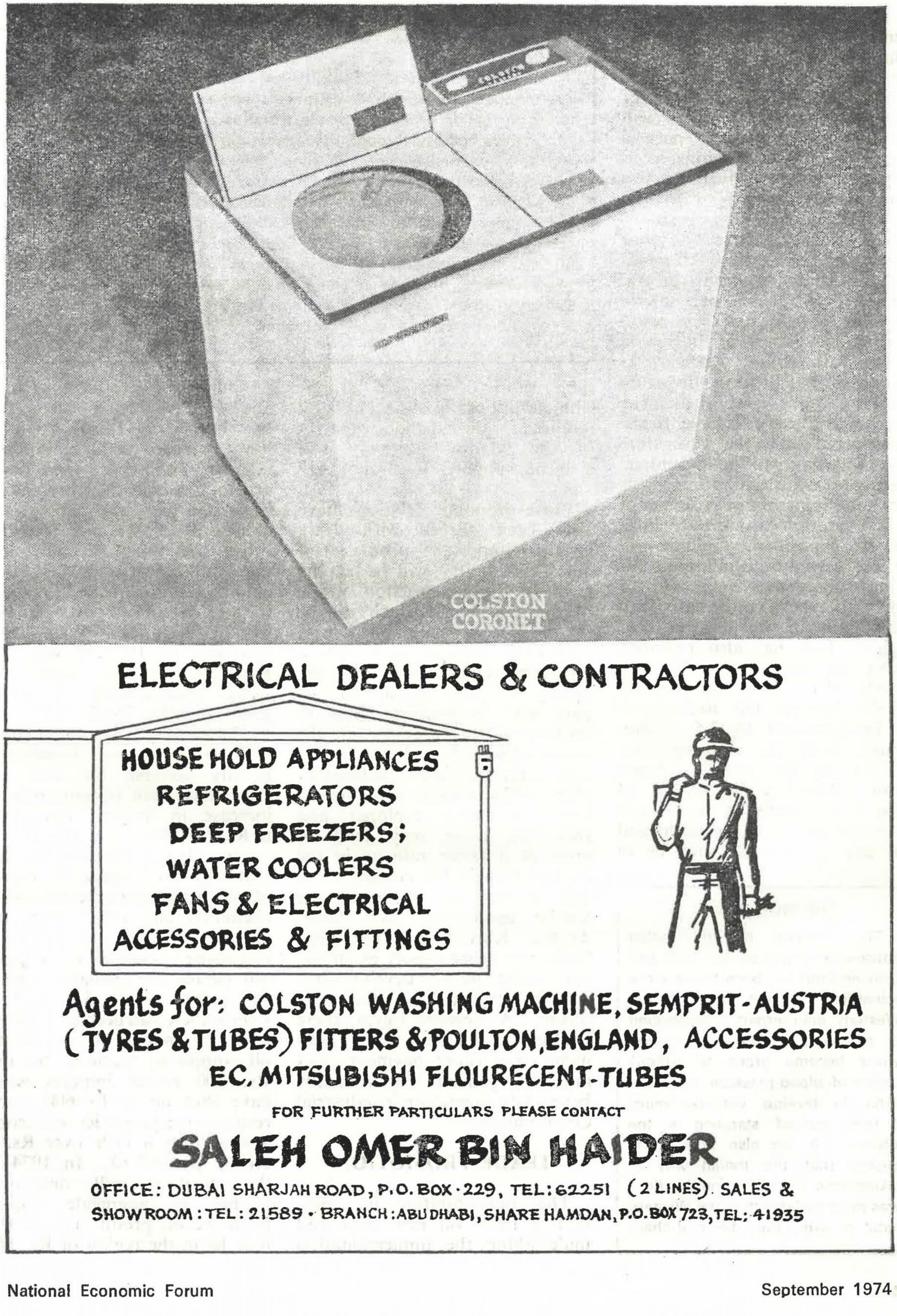
The objective of the developed countries will certainly be to neutralise the impact of a shift in the accumulation of trade surpluses from the hitherto recognised areas to new centres in the Middle East, West Asia and South East Asia. In the initial flutter to siphon away surpluses of the oil rich nations arising out of balance of payments deficits or reduction in surpluses of the developed countries, there will be an unseemly hurry for embarking on ambitious projects which will involve heavy capital outlays and long gestation periods. In view of the fact that this process of competitive selling of projects and implementation of schemes will become less feverish in the next few months, there is need for adopting a more realistic and long-term approach to the new issues arising out of the bold strataegy adopted by the Arab nations in respect of pricing of oil. While hurting the developed countries, higher oil prices will also be hurting the developing countries having no large oil reserves and mainly depending on imports. Some of the new difficulties may be got over after sometime with the exploration for oil outside the Middle East and West Asia yielding spectacular results. The Soviet Union has large reserves of oil and natural gas and both USA and Japan are trying to exploit these reserves jointly, for mutual benefit. But these reserves are likely to be profitably exploited only over a long period as no definite decisions about the method and manner of implementation of these projects have so far been taken. In USA itself shale oil may become more important even while greater emphasis is being laid on the use of coal and nuclear power. Britain hopes to be a net exporter of oil after the 80's while in India itself offshore exploration for oil may yield spectacular results. There may also be a larger output of crude from existing and new wells in the mainland. In South East Asia too there is scope for tapping oil in new areas.

CLOSER RELATIONS

It may, therefore, be expected that the present acute dependence on Middle East oil may get minimised and other sources of energy, also aimed at reducing consumption of petroleum products, may be developed more effectively. But it will serve no useful purpose by overlooking the importance of oil as a cheap and efficient source of energy and the immediate availability of large quantities of crude from proven sources in the Middle, East, West Asia and Indonesia. Nigeria and Venezula also are important producers and these 11 major exporting nations are bound to accumulate resources at the rate of 30 billion dollars annually (net), even after providing for larger and costlier imports into these regions. In seven years these surpluses will accumulate to over dollars 200 billion and it will be greatly advantageous for India and other countries in South East Asia to utilise the new opportunities for developing closer trade and economic relations with the oil rich nations.

Already some form of economic cooperation has been attempted with the conclusion of agreements with Iran, Iraq, Kuwait and Saudi Arabia. The arrange-

> **GLOWING CHAPPALS**
>
> A pair of chappals that light up as soon as they are worn was on show at an exhibition of Kolhapuri handicrafts in Bombay. Meant for night wear by women, the chappals are fitted with tiny red bulbs which remain lit for two hours. They have already found a ready market in England where cabaret artistes find them particularly useful.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ments with Iran and Iraq particularly visualise development of the two way trade at higher levels and implementation of several new projects which will result in exploitation of natural resources of the regions concerned on mutually advanatageous terms. Only recently Iran has provided special credits amounting to dollar 300 millions for developing the Kudremukh mines and exporting pelletised iron ore for even 7.5 millions tonnes annually. This project will result in the development of the region in an all round manner as facilities for pelletising magnetite ore have to be established. The huge quantities will have to be transported while the Mangalore port will have to be developed even on more ambitious lines for handling a large volume of bulk cargo. Also, the huge bauxite deposits in Gujarat will be processed into alumina for being subsequently exported to Iran to be converted into aluminium in smelters in that region. Iran has also provided credit on easy terms for the supply of oil and the capacity of the Madras Oil Refinery is to be increased to 3.5 million tonnes from the exisiting level of 2.8 million tonnes. Apart from enhancing the output of lube base stocks, a wax plant is proposed to be installed and the aggregate outlay may be in the region of Rs. 25 crores. The additional quantities of oil required for the expanded capacity of the Madras Refinery will also be supplied by Iran.

Close economic relations have also been forged with Iraq, another important producer of oil. This country will be helping India in the construction of the Mathura Refinery, which will be the biggest in the public sector, over and above entering into a long-term commitment for the supply of oil. India for its part will be assisting Iraq in offshore oil explorations, in the construction of railway system and in the erection of a fertiliser plant. Other avenues for cooperation are being explored and Indo-Iraq trade may tend to grow at a faster rate as in the case of Iran in the coming years. The possibilities of concluding similar agreements with Saudi Arabia, Kuwait and the Gulf States are being closely examined and some major developments can be expected in the near future. As regards Egypt, there is already a bilateral trade agreement on a rupee payment basis and arrangements for mutually beneficial cooperation in industrial development.

TRADE PROMOTION

The opportunities for promoting trade on new lines and undertaking the implementation of industrial projects in India and oil producing areas and by both in third countries have increased in an unexpected manner following the recent developments in the international oil situation. In spite of the conscious efforts made to improve the two-way trade with the Middle East and West Asian countries, Indonesia and Malaysia, the value of exports to the Middle East and West Asian countries in 1972–73 was only Rs. 127.27 crores, even after rising spectacularly from the level of Rs. 78.97 crores in 1967–68. The balance of trade with these regions, however, is heavily adverse for India as there has been concurrently an increase in imports into India to Rs. 234.49 crores from Rs. 99.46 crores. It will therefore be seen that with an increase in imports of oil, petroleum products, petrochemicals and other items, the gap has widened even with an increasing volume of exports. No details are available relating to foreign trade in 1973–74. Even if there had been an improvement in Indian exports to the oil supplying nations to over Rs. 200 crores imports would have shot up to Rs. 600 crores, resulting in a gap of Rs. 400 crores, against only a little over Rs. 20 crores in 1967–68. In 1974–75, the position will deteriorate further as aggregate imports from the oil producing countries may be in the region of Rs. 1400

SPACE WISDOM

Each of the skylab III astronauts had experienced some change in his perception of himself or the world as a result of living in space. More than halfway through their marathon 85-day mission, the space voyagers reported changes in either general awareness, their views on life—aboard, on earth and on outer space—or their inner selves. "It has had a great impact", Lt. Colonel William Pogue said, "I am much more inclined towards spiritual feelings." The mission commander, Lt. Colonel Gerald Carh, said the space journey had affected his awareness of life in general. "I think it has increased my awareness of what is going on," he said. Space scientist, Dr. Edward Gibson, said it had become easier for him to conceive of life in other worlds and his preception of life on earth had changed.

THE INDIAN WAY

The practice of the Indian housewife sitting on the floor and cooking food has been found more scientific than the style of her Western counterpart. According to physiological research, housewives became prone to irregularities of blood pressure and were liable to develop varicose veins, if they worked standing in the kitchen. It has also been established that the Indian way of taking food by sitting on the floor was more suitable than the Western habit of using the table and chair.

crores against exports of probably Rs. 300 crores. It cannot be expected in any stage that the adverse balance of trade with the oil suppliers can be bridged as a total effort will have to be made to reduce the overall deficit by maximising exports to all regions and adopting other means.

A BIG ENTRY

It should not however be difficult to utilise the new opportunities for making a big entry into the Middle East and West Asia as at the present moment only about two per cent of total imports into the oil nations is being accounted for by India and it should not be difficult to raise this proportion to at least 5 per cent in the next two or three years which will mean that Indian exports to this region will have to be raised to Rs. 500–600 crores. There can also be an intensification of efforts by entrepreneurs in the private sector to esablish new projects in the main and underdeveloped areas by providing technical services supplying technical personnel implementing new projects on a joint basis and the like. While there is certainly scope for ambitious developments in these opulent regions, in view of the competition for forging new ties from the developed countries, it should also be explored how surplus oil money can be pumped into the private sector in India. It can certainly be expected that larger aid will be available for public sector projects from these sources. But the scope for promoting new petrochemical projects with the help of the oil rich nations and for establishing other industries, which will not only serve the needs of India but which will be helpful in promoting exports to third countries should be fully examined and vigorous steps taken to broaden the base that already exists in the country. Even if the Western nations try to siphon away a good portion of the surpluses left after increasing trade with their oil suppliers, there will still be large unspent balances. It should be quite easy to count on the inflow of over one billion dollars annually into India alone in the form of economic aid from the Arab world, for being used in the construction of new projects in the public and private sectors. What is needed is an intelligently and pragmatically conceived blue print which will enable India to convert the crisis arising out of a huge oil import bill into a valuable opportunity for planning economic development on new and bold lines. As it is likely that even in the current financial year the gap in trade may not be more than Rs. 400 crores, even, after paying more than Rs. 1400 crores, for oil imports, the present crisis should not warp the thinking of the Government of India and there should not be any hurry to cut development expenditure. On the other hand, with the negotiation of special credits from the members of the Organisation of Petroleum Exporting Countries, a conscious effort to boost aggregate exports and a new policy aimed at developing new relations with our oil suppliers, industrial progress in the public and private sectors in our country can be more impressive than it has been in the recent past. At the same time, India can also emerge as an important supplier of technical knowhow and equipment for many projects in the African continent and in South East Asia. For achieving these objectives, there should be a proper coordination of the activities of the departments of the Government of India and entrepreneurs in this region with the corresponding counterparts in the new rich areas.

Oil Funds Flow...

LONG-TERM DEPOSITS

An estimated $250 million of Longer-term deposits has flowed directly into New York banks from the oil-exporting States in recent months, according to an official of manufacturers Hanover Trust.

* * *

FOREIGN BOND FUNDS

Oil-exporting countries with surplus "Petrodollers" were a major source of funds to the foreign market during the first half of this year, according to a report prepared by the International Finance Division of the World Bank.

* * *

INVESTMENTS IN US

Oil producing countries have invested some 14,000 to 15,000 million dollars in the United States since the beginning of the year.

This estimate was based on transfers that could be identified by U.S. authorities as coming directly from monetary agencies of the oil producing countries.

A large part of the funds appeared to have been placed in U.S. treasury bonds bought on the New York market. The U.S. offer of special treasury bond issues to Saudi Arabia and Kuwait had not been very successful.

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MIDDLE EAST NEWS

STEEL PLANT IN DUBAI

Proposals to set up a steel plant in Dubai as a joint venture with India have been discussed by a visiting economic mission.

* *

ISLAMIC SHIPPING

A plan for a commercial shipping company to promote trade among Islamic countries has been agreed to by the 37–nation Islamic Foreign Ministers Conference held in Kuala Lumpur recently. The shipping company would be able to overcome the monopoly now enjoyed by the various freight conferences.

* *

PROPERTY PURCHASE

The ruler of Abu Dhabi, Sheik Said Bin Sultan, is negotiating to buy part of a big London Office block for around 40 million sterling from the Commercial Union Insurance Company. The deal will be the first major property purchase in Britain by Arab interests, and is regarded as the possible forerunner of many similar deals.

* *

INDIANS IN DUBAI

A team of five Indian officials has been recently sent to the United Arab Emirates. to help the Indian Mission there to issue passports to a large number of passportless Indians in the area whose stay the Government of UAE has agreed to regularise, once the passports were issued.

* *

INDO-IRAQ CO-OPERATION

The Iraqi Revolutionary Command Council (RC) has ratified an agreement for the formation of a permanent Iraqi-Indian committee on economic and technical co-operation. The Committee will be formed under an accord signed in March which provided for an Iraqi loan of 110 million dollars to India to cover part of the cost of Iraq oil it will buy. The joint committee will meet at the ministerial level periodically in Baghdad and New Delhi alternately to discuss closer bilateral co-operation.

Iraq will supply 12 million tonnes of oil to India by the end of 1978 at a special price, according to the Iraqi ambassador to India. At a seminar held in Ludhiana on economic development and co-operation with socialist countries, he said that Iraq is a "small country with a big heart" and would have friendship with all peace-loving countries like India. India was helping Iraq in many ways. She had sent 4,000 – 5,000 engineers to Iraq and trade between the two countries had gone up from 23 million pounds in 1970 to 150 million pounds now.

ARAB-E.E.C. COMMISSION

The nine-nation European Common Market and the 20–nation Arab League have agreed to establish a permanent joint commission to plan long-term economic co-operation between the two groups. The commission is expected to have its first meeting in November. Mr. Mahmoud Riad, secretary-general of the Arab League said : "We in the Arab world are trying to build a strong base for (economic) development". He added that by combining European technology and Arab capital, good progress could be made in this direction. French Foreign Minister Jean Sauvangnargues said the Commission would concentrate on economic problems, including co-operation in industry and agriculture.

H. H. SHEIKH RASHID BIN MAKHTOUM, Vice-President of United Arab Emirates with Dr. RAFIQ ZAKARIA, Maharashtra Minister (second from right): An official visit to India

* *

OIL PRICES TO BE CUT

Mr. Ahmed Zaki Yamani, the Saudi Oil Minister, was quoted by the German magazine, *Quick* as saying : "We in Saudi Arabia are convinced that the oil prices rose more steeply than they should have. We thus

MINI-BOOKS

Veniamin Razunov's library in USSR has only just over a thousand volumes. But this collection is amazing, for, they are a collection of the smallest books in the world!

They cannot be read without a magnifying glass. Some are very rare, for instance, a hand-written volume which is at least 300 years oid. Two Qorans in Arabic appeared 100 years later. Some of the Russian miniature publications are dated 1801, some are quite modern.

favour a price reduction. We... are convinced that the forcing up of oil prices will shatter the world economic order and cause a world wide recession. If we do not stop the oil price increases, we will collapse and with us, the remaining economies will fall into a crisis".

The Organisation of Petroleum Exporting Countries is likely to freeze crude oil prices until next January to avoid a political collision with Saudi Arabia. No firm decision has been taken but this will be a compromise outcome when oil ministers of the 13 major oil-exporting nations meet in Vienna. However, Iran, Algeria, Kuwait and Venezuela still hope to push through a slight increase for the first time since oil prices were released to record levels last December.

* *

DUBAI'S DOCKYARD

In about two years, Dubai will have one of the biggest dockyards in the world. The Dubai dockyard will be able in 1976 to receive three oil carriers at the same time, two of which will accommodate half a million tons and the third a million tonner. It will cost more than £65 million. Besides, one of the biggest cement factories in the Middle East will also be located about eight miles from Dubai city.

ISLAMIC BANK

The Charter of 1,000 million dollar Islamic Development Bank has been signed at the conference of 26 Arab and Islamic states held in Jeddah. The bank's headquarters will be in Jeddah and it will operate according to Islamic principles, implying it will not charge interest. The bank will exploit natural resources in Islamic states and give them loans for development projects.

* *

SAUDI OVERTURES TO UAE

Saudi Arabia is reportedly making diplomatic overtures to the United Arab Emirates with a view to forming a military and political bloc as a counterweight to Iranian influence south of the Gulf. Saudi Arabia wants a rapid settlement of various territorial disputes with the UAE to open the way to forming the bloc. The decisive factor influencing Saudi plans for a political and military block (which will be led by Saudi Arabia) was a report that Iran had signed a 'secret deal' giving political and military "rights to Oman".

* *

FERTILISER PLANT

Egyptian reports say a $68m. contract has been signed with a Mannesman-Export and Friedrich Ude consortium to build a 500,000-ton fertiliser plant near Alexandria, with West German banks and the West German government each financing half the cost.

TEXTILE FACTORY

Platt International, the textile machinery division of Stone-Platt Industries, is understood to be in the final stages of securing a $25m. order to supply a textile factory to Syria.

The contract has been won against substantial foreign opposition.

It envisages the supply of 75,000 spindles for a factory to be located near the northern port of Lattakia. The contract may be extended. Indeed, the Syrians have indicated that another, almost identical unit is to be set up in an industrial area north of Damascus.

The first factory is being financed by the United Arab Emirates, not, so far as known, on a loan basis but as an outright gift by the UAE as part of the Arab effort to assist Syria's postwar reconstruction.

It is likely that the UAE will also finance the second factory.

* *

SONY PLANT

Sony's Beirut representative said the company was "actively working" to set up a plant somewhere in the Arab world, possibly Egypt. More time was needed for a decision, but studies were under way both in Saudi Arabia and Egypt. The statement followed word from the Arab boycott of Israel Office in Damascus that Sony had been given six months to start manufacturing in the Arab world or face blacklisting.

ATTENTION : CONTRIBUTORS !

The Editor invites articles, special reports and cartoons of economic interest for publication in the 'National Economic Forum' Monthly.

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TOWARDS ARAB FRIENDSHIP

By Prof. SYED ALI

In recent times, particularly in the wake of the fuel crisis, a section of our people have developed erroneous notions about the Arabs. Inspite of the fact that the Indian Government is extremely anxious to strengthen the existing bonds of friendship with the Arabs, some of us express extremely uncharitable opinions about the Arab leaders. Last year when the oil producing Arab states announced their decision to raise the price of crude, as an aftermath of the October war, there were suggestions in the Readers' Column of a leading national daily that the oil producing countries should be invaded and the area brought under international control. Ominous as it was, the suggestion was not considered by nations who were affected most by reduced supply of oil.

RAPID PROGRESS

An average Indian has no idea whatsoever about the progress achieved by the Arab states in the last two decades. The prevailing opinion is that the Arabs live in desert kingdoms, moving from one oasis to another and the camel being their only means of transport. Regarding their customs and traditions, our only source of information is American films such as "Arabian Nights", "Lawrence of Arabia" and such Indian films as "Thief of Baghdad". But today a good number of books concerning the history and culture of the Arabs, written by western scholars are available, but they are beyond the reach of the common man in India due to their exorbitant prices. Even in the west, there is a tendency to rewrite the historic role of the Arabs in the march of human civilisation. The eighteenth century books which contained hostile criticism of Arab leaders, were based on inaccurate translations of Arabic sources, together with the prejudicial outlook of the orientalists. Recent books concerning the Arabs have been written after a deep study of the subject. But books on Palestine still contain material which could be branded as Zionist propaganda.

The Arab nations today have made rapid progress in the field of education and industry. They are aware of the fact that the glorious position that they enjoyed once is a thing of the past, and unless they take to modern education, particularly science and technology, they would be exposed to external danger. A number of universities have been started, which make use of the services of foreign professors, and intelligent students are sent to American and European universities for higher studies and training. One of the contributory factor for the rapid advance in the field of education is the immense financial resources that the Arab states command today.

CHANGING OUTLOOK

In thinly populated areas, such as the Arab Gulf states, there is not much scope for extensive industrial schemes. Further, even to explore and exploit the oil resources and to establish refineries and petrochemical industries, these states have to depend heavily on foreign experts. But the desire for industrialisation is such that states like Kuwait have set up a number of industries, which though of a minor nature compared to our own progress in this field, constitute a significant change in Arab outlook.

> **SAND & SILK**
>
> He who walks on sand will sit on silk.
>
> —Arabic Proverb

There is ample scope for Indo-Arab co-operation. Our geographical nearness to the area, the progress that we have made in the field of higher education and industrial development is viewed with respect by the Arabs. Under vey difficult circumstances in the past when travel between the two areas was hazardous, goods from the coastal areas have reached Arab ports and our philosophers and physicians found a hospitable harbour in the then known Arab capitals. Now that both these areas are free from colonial rule and the means of communication are comparatively better, a determined effort has to be made to establish a closer relaltionship between the Arabs and the Indians.

INDIAN AID

The Arabs do wish to have their higher education in Indian universities for historical reasons. But the number of Arab students in our schools and colleges is very meagre. The educational facilities that are available in India are not known to the Arabs and no attempt has been made by our embassies to give adequate publicity to them. Whenever Arab students have approached our embassies seeking their help to get admission in Indian universities for research degrees, they have been told to correspond directly with the Indian universities. The procedure of admission in our universities is so com-

MOTHERS VS COW

If mothers in India stopped breast-feeding, a herd of five million cows would be required to provide milk for the babies, according to Mr. D. Derlick B. Jelliffe, a U. S. Public health specialist.

plicated and the queries in the application forms are such that they act as deterrents to prospective students. To solve these difficulties it is necessary that an educated secretary be posted in our embassies in the Arab world to help Arab students who wish to seek admission in our universities.

There is at present a move on the part of the oil producing states to equip themselves with sophisticated weapons. Of course, these states are purchasing their requirements from America and western Europe. India can help these states in not only supplying modern weapons but by offering the training that is necessary to operate them. Now that India has exploded a nuclear device, which has not evoked any adverse criticism from Arab quarters, it is probable that the Arab states would rely more increasingly for their defence needs on India rather than on other nuclear powers. At present, there seems to be coordination of a military nature between India and some Arab states like Egypt and Iraq but this could be extended to other countries in the area. The mini-states of the Arab Gulf are uneasy with the increasing military strength of Iran and it is likely that Iran would go soon nuclear. The French have promised to sell the Shah of Iran five complete nuclear power plants. The vacuum which has been created by the withdrawal of British forces from the Arab Gulf might tempt the big powers for military intervention in case of an emergency. In these circumstances, the people of this area would be in need of India's assistance.

ARAB GOODWILL

India has earned the goodwill of the Arabs in a hard way. During the pre-independence days, the Congress leaders completely identified themselves with the political aspiration of the Wafdist leaders of Egypt who were struggling for the evacuation of British forces. As for the Palestinian problen, Indian leaders were convinced of the justice of the Palestinian case and were totally opposed to Palestine being converted into a European Jewish colony. The Arabs since 1948 determined the friendship or otherwise of any nation on the basis of their policies towards the Palestine question. India has consistently supported the Arabs in the world bodies, during the fateful years of 1948, 1956, 1967 and 1973. As a result of this policy of complete identification with the Arab cause, the Indian government took great risks: it not only alienated the support of influential pro-Israeli groups in America, but had to face opposition from some political parties who have established close links with Israel. India's goodwill towards the Arabs is highly appreciated in Arab circles, particularly among the intellectuals, inspite of the hostile propaganda that is carried out by Pakistan. India's relations with most of the Arab countries, including Libya, are cordial, despite casual setbacks. Friendship between states cannot be taken for granted, and it cannot be permanent either, unless steps are taken to understand each other's problems, it being understood that complete identification on all international issues is not probable.

WONDER FABRIC

A new all quality fabric, *Rawsalin,* comprising all good qualities of cotton, silk, wool and terylene is the latest introduction in the Indian market. According to its producers, Jayajeerao Cotton Mills of Gwalior, this new kind of blended wonder fabric is a unique coordination of terene and natural fibre. It has the softness and feel of silk, crease resistance, easy washability, dripdry property and more strength than cotton.

INDIA IN ARAB LANDS

A Bombay firm is to supply 150 trucks, bus chassis and accessories worth over 10 million rupees (£500,000) to Egypt. Deliveries are to be completed in four months.

* * *

The Bank of Baroda, one of the top five banks in India, has opened a bank in Abu Dhabi.

* * *

Metallurgical and Engineering Consultants of India has won a contract from the United Arab Emirates for technical assistance in the establishment of a steel complex in Dubai. The Company will submit a feasibility report within six months.

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New Faces to the Fore

By BUNNY REUBEN

There is a big boom in Hindi film production in 1974.

Despite all the shortages, there is no shortage of high hopes. Every year, more and more new faces are entering the movie industry and making a name for themselves.

In 1974, the new actresses who made the most impression are Parveen Babi, Shabana Azmi, Nita Mehta and Ambika Johar.

Of these four, two girls are from the Poona Film Institute, Government of India's official glamour factory which every year gives more and more new faces to commercial Hindi cinema.

The two girls from the Poona Film Institute are Shabana Azmi and Nita Mehta.

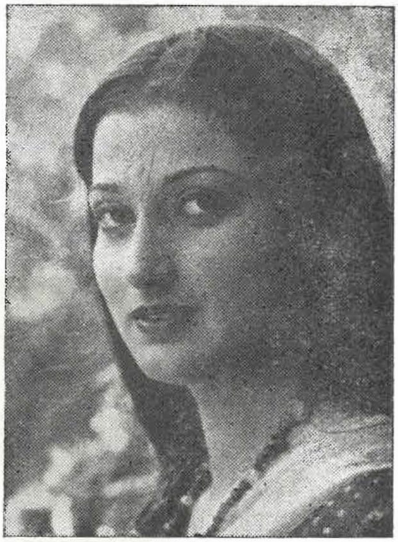
GOLD MEDAL

Shabana Azmi, daughter of well-known Urdu poet Kaifi Azmi and stage-actress Shaukat Kaifi, won the Gold Medal for Acting last year from the Institute and came to Bombay to play the leading lady in K. A. Abbas' now completed 'Faaslah' as well as in Blaze Film Enterprises' Eastmancolour 'Ankur' which was India's official entry at the Berlin International Film Festival this year. Shabana, who attended the Festival along with co-actor Sadhu Meher and director Shyam Benegal, told me that foreigners were so impressed with 'Ankur' that the film will be shown also at the forthcoming Film Festivals in New York, San Francisco and Locarno.

AMBIKA: outspoken and frank

SHABANA: head-start

In Bombay, many big producers have now signed up Shabana Azmi for their forthcoming ventures. She has been signed by the Nadiadwalas as heroine for two forthcoming Movies under Pushpa Pictures' banner; and for two pictures by producer Nari Sippy of 'Chor Machaye Shor' fame.



NITA: big assignments

While Shabana Azmi has taken a head-start to a very promising career, newcomer Nita Mehta's talents will come before the eyes of cinemagoing audiences only later this year.

TALL AND STATUESQUE

Tall, statuesque and with very expressive brown eyes, Nita Mehta finished her course at the Poona Film Institute only in April this year. Even while she was studying acting at Poona, discerning producers spotted the talent in her and special permission was secured for her to start working in films even before she could pass out from the Institute.

Nita Mehta now has two big assignments on hand, both of which are rapidly approaching completion. One of them is producer Surinder Kapoor's 'Ponga Pandit' in which Nita Mehta stars opposite Randhir (Dabboo) Kapoor, and the other is 'Duniya Diwani' in which she stars opposite Sanjeev Kumar.

Well-known producer-director Shakti Samanta has also signed up Nita Mehta for two forthcoming assignments, one of which will be opposite Rajesh Khanna.

PERSONALITY OF THE MONTH

Producer Sandow M. M. A. Chinnappa Devar is probably the most fantastic film-maker ever to emerge on the commercial Hindi film scene.

Starting from humble beginnings as a circus-worker, Devar has come up in life the hard way. His greatest quality is his unswerving and incredible devotion to Lord Murugan, the presiding Deity of his life.

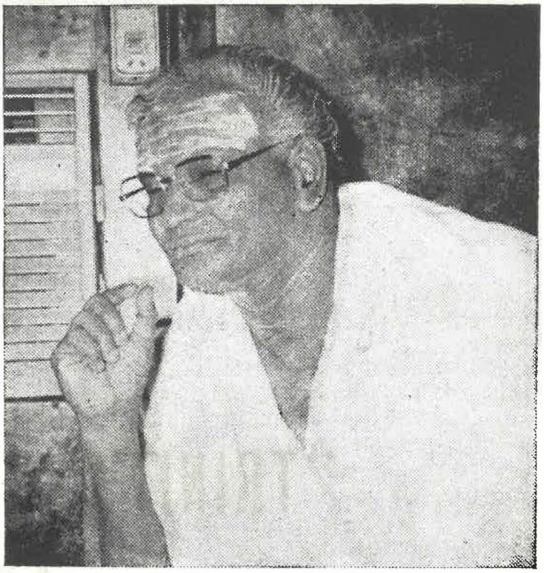
Out of every film he makes, producer Devar gives a portion of his earnings to the temple of Lord Murugan. He is a God-fearing man who does not fear hard work.

Devar's latest Hindi film is entitled 'Shubh Din.' Based on a Tamil hit he made with comparatively new stars, Devar has taken new and young stars from Hindi films for his 'Shubh Din' also.

Starring in 'Shubh Din' are Madhu Chhanda (the leading-lady of 'Sara Akash') and Rajesh Lahr, from the Poona Film Institute. Rajesh Lahr looks almost a carbon-copy of Rishi 'Bobby' Kapoor, and these two are also working together as brothers in another Hindi film.

'Shubh Din' highlights a young woman's devotion to the snake-god and shows how the snake-god saves her and her husband through all the dangerous moments of their life.

Devar told me that he would be starting another very big film entitled 'Maa' in September, co-starring Hema Malini and Dharmendra, 'Maa' will have fantastic wild animal scenes and will be shot almost entirely in the jungles of Mudumalai near Bangalore.



DEVAR: fantastic film-maker

While 'Shubh Din' will be released in September, 'Maa' will be completed in February 1975.

Producer Devar told me that another film of his entitled 'Raja', costarring Rishi Kapoor and Sulakshana Pandit, would be ready for release by the end of the year.

—B. R.

DIRECT ENTRY

If Shabana Azmi and Nita Mehta came to film acting via the Poona Film Institute, Ambika Johar and Parveen Babi came direct.

Ambika, whose real name is Neelam, is the young and charming daughter of comedian-producer-director I. S. Johar. Her first starring vehicle was 'Joi Bangla Desh' which was a big box-office hit in India. Johar's new film 'Five Rifles' which is now almost complete, also stars Ambika Johar, this time opposite a new young actor named Raakesh Khanna, who looks like a twin brother of Rajesh Khanna!

Outspoken and frank, charming Ambika Johar has already, at such a tender age, travelled all over Europe and the United Kingdom.

TREMENDOUS

The girl who emerged as the most popular star of 1974 is, of course, Parveen Babi. Discovered in Ahmedabad by producer-director B. R. Ishara, Parveen made her debut in Ishara's 'Charitra' in which all the critics hailed her performance as outstanding.

After 'Charitra', Parveen's next two starrers 'Dhuen ki Lakeer' and '36 Ghante' didn't fare too well, but she has a tremendous line-up of releases this year. In August-September, Bhatia's 'Trimurti' will be released, to be followed by 'Kala Sona', 'Ek Gunah Aur Sahi' and 'Chandi Sona'.

In Premjee's 'Majboor' which Ravi Tandon is directing and in Gulshan Rai's 'Deewar' which Yash Chopra is directing, Parveen Babi is reported to have given oustanding performances.

These then are the girls to watch in 1974...

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WORLD ROUNDUP

WORLD ECONOMY

The world economy can look forward to a necessary cooling off period, according to the Organisation for Economic Co-operation and Development's latest six-monthly review of the international scene. The OECD made the following forecasts :

—A very low growth rate of one-half per cent for 1974, comparing with 6.5 per cent last year.

—Inflation of 13 per cent, a worrying figure.

—A huge deficit of 40,000 million dollars for the OECD nations which recorded a surplus last year.

* *

INDIA FIRST

In the tenth Zambia International Trade Fair held in Ndola in July 1974, India won the first prize. She won the second prize in last year's fair. Kenya and Tanzania tied for the second prize, while West Germany bagged the third.

* *

NEW EMERALD FIND

New emerald deposits, claimed to be the world's richest, have been uncovered in the jungles of Bahia province of Brazil during a search for oil in the area. The deposits are so rich that they will be workable till the year 2124.

* *

UK's MINI-BUDGET

In a mini-budget package of measures designed to reflate the flagging economy without giving too much of a boost to inflation, the Labour Government has given a mild boost to consumer spending power by reducing value-added sales tax from 10 to 8 per cent. The retail price of petrol and other road fuels will be reduced in line with the cut in value-added tax. The Government is setting aside a further 50 million sterling for food subsidies – on top of the 500 million sterling in the first budget.

* *

CHINA'S WHEAT IMPORTS

China may have to import a record seven million tons of wheat this year, despite a good summer crop and an increased yield, according to agricultural analysts in Hong Kong. The country's total purchases could go as high as ten million tons.

* *

NATIONALISATION OF SHIPBUILDERS

Britain's 13 largest shipbuilding companies will be nationalised. Detailed proposals for legislation to nationalise the ship builders, 13 ship repair firms and six marine diesel manufacturers will be set forth in a white paper later this year.

* *

FOOD BANK

Mexico has proposed the setting up of a 'World Food Bank' which will give to the developing countries food loans that would be returned during rich crop years. According to the proposal, the bank would function within the framework of the Food and Agricultural Organisation (FAO).

* *

BANK RATE HIKE

The interest on new loans from the World Bank will be increased to 8% from 7.25% to offset the rising cost of bank borrowings. The Bank President has proposed sharply increasing bank lending during the next four years – 22,000 million dollars, compared with 14,000 million dollars under the current plan.

* *

JAPAN'S TURNING POINT

Japan is at a historic turning point because its miraculously high economic growth has come to an end. A sharp rise in the prices of commodities last year put an end to the nation's spectacular economic expansion since the second world war. Japan is now faced with new trials arising out of shortages of resources and energy and pollution as a result of economic expansion.

* *

MIRACLE RICE

A new variety that contains 25 per cent more protein is being developed at the International Rice Research Institute in Los Banos (Philippines). Achievement of this goal will benefit immeasurably one-third of the world's people – 1.3 bullion – who depend on rice for more than half of their food,. IR8, the first 'mircle rice' developed at this institute eight years ago, is 8 per cent protein. Scientists there hope to produce a new variety by crossbreeding that will be 10 per cent protein.

* *

OPEC AID FUND

Experts of leading members of the Organisation of Petroleum Exporting Countries have completed the draft statutes of an OPEC fund for aid to developing countries. The fund will provide assistance to economic and technological development projects in countries worst hit by the increased cost of oil.

Petro Dollars For Islamic Bank

Seeking fresh outlets for a fruitful investment of Arab petrodollars, the Arab oil states have pooled funds to set up an Islamic bank. Twenty–four Arab and Islamic States have signed a charter in Jeddah fixing their contributions to the project bank with a capital equivalent to 900 million dollars.

The states which signed the accord are : Algeria, Bangla Desh, United Arab Emirates, Chad, Egypt, Indonesia, Jordan, Kuwait, Lebanaon, Malaysia, Mali, Mauritania, Morocco, Niger, Oman, Pakistan, Qatar, Saudi Arabia, Senegal, Somalia, Sudan, Tunisia, Turkey and North Yemen.

The bank wiil have an initial capital of 750 million so-calied 'Islamic dinars' which have been labelled as Special Drawing Rights of the International Monetary Fund, equivalent to the slated 900 million dollars.

Setting up the bank does not mean turning these units into currency. The bank would calculate its accounts in various currencies to be defined later. This could serve as a control device over international currencies. a factor of balance to be employed at times of crises.

The bank will go into operatien once 50 per cent of the capital had been subscribed.

Courtesy : *Arab World Sketch*

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Islam's General Theory of Economy

By IBRAHIM MOHAMMAD ISMAIL

It is erroneous to assume that Islam has only one economic theory which has no relation to other economic theories.

Islam, being the religion of monotheism, looks at mankind with its grievances as a consolidated unit. Since Islam aims at leading humanity to progress and civilisation it has to offer everything which secures the realisation of all those goals.

MAN IN SOCIETY

In this scrutiny of man in society, Islam realises that every individual is influenced by two different elements:

1 – The internal one which controls a man's behaviour, dominates his thoughts and shapes his individuality. It is this element which is represented in man's instincts and sentiments.

2 – The second element stems from the circumstances of the individual in relation to his environment. This attempts to deprive the first element of its power, and having moulded the individual, to force him into the community without any sense of his own individually. This element is represented in man's relations with others, whether son, wife, parents, brothers, relatives or friends.

HUMAN JUSTICE

Islam admits that man, by his nature cannot dispense with either of those two elements. They are inter-complementary and upon them the entire human edifice is constructed. It was with this in mind that Islam developed its theory. It outlines for man the way to a happy life, where the individual is not aquisitive at the expense of the interests of the community and the community does not impose upon the individual. It secures, under the shelter of human justice, the good of both individual and the community. This good cannot be reached other than by considering man's individuality and the existence of the community, not only from the materialist point of view, but as has already been said, from all points of view. Islam demands from man that he be a stone in the whole structure of society, and to realise before anything else his relation to existence and his position in it. It stresses this point and underlines it within itself until it reaches the level of faith. His faith calls upon a man to continue with the purification of his soul and to the development of sound principles within his heart and mind. On that basis. man organises his economic and social life and all other aspects of human activity.

RIGHT OF OWNERSHIP

Islam purifies the spirit and leads towards what is good; then, on this basis, it constructs the principles of behaviour and morality which derive from it, together with an economic system, for it is not possible to sacrifice these principles in pursuit of an economic organisation.

Islam does not deny man's individual personality, nor his right of ownership. Nor does it ignore the various instincts which motivate him. On the other hand, it denies the right of the community to safeguard individuality to the extent that the strong become more powerful, and the weak weaker, a process which threatens to eradicate the noble aspects of human conscience and sentiment on which the structure of the family and the whole community is founded.

TOWARDS PERFECTION

To achieve perfection, humanity must safeguard man's right to personal activities and the reward he may get from them. At the same time, it has to prevent him from exercising pressure on others and from preventing anybody else from enjoying the rewards of his activities. Islam has realised all this. It recognises ownership and inheritance and respects the family, considering them as the fundamental basis of social life. Realising what may result from the existence of big holdings and the injustice which may be done by the rich, together with the existence of a feeling of unfair treatment due to the disparity of the material rewards to be won by the poor, Islam prevents the existence of big holdings on a basis other than personal effort. Accordingly, it prohibited usury and made inheritance an effective means of splitting big holdings. In this way, no society will have members harbouring the hatred and ill-feeling which arise from an unjust disparity in earnings.

Islam has put man, whether as an individual or member of a community, inside a frame which safeguards the relations of individuals with the community. Later, it gave man the liberty to reform himself and his existence within the limits prescribed.

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Japanese Investments In India

By A. T. CHANDRAMOHAN

A knowledgeable source in New Delhi told me the other day that the numerous economic delegations from Japan that come to India "talk nicely but when it comes to the question of investing funds or lending knowhow, there is a reluctance in taking decisions."

One reason for this, pointed out by a foreign research journal, seems to be that the developing countries of southeast Asia do not seek the latest technology. And, Japanese technology has advanced so rapidly that it is the developed countries of Europe and America that are enticing Japan to invest in their areas.

GO WEST !

The experience of most developing countries has been the same and India is evidently not an exception. The number of Japanese collaboration agreements in India is going down imperceptibly. This is inspite of Japanese claims that the 1970s is "Japan's decade of multinationalisation." They assert that as developing countries demand a more equitable share of the world's wealth "Japan, as the most industrially advanced nation in Asia, is being called upon to invest both its capital and technology in these countries."

However, it does not appear as if the Japanese are responding to the call. They seem to be enamoured of the developed countries of the west where most of Japan's capital and technology are going. There is prestige in investing in the west and the Japanese slogan of today may well be: "Go west, young man!"

NATIONAL MARKETS

For instance, out of Japan's nine national markets for export of technology, Italy is its single biggest national market accounting for 13.8 percent of the exports in 1972. It is followed by Taiwan and the US with 8.6 and 8 precent respectively. The case of Taiwan, though a developing country, is interesting in the sense that more or less American conditions prevail there, it is said.

Japanese firms which function in collaboration with Indian units are spread all over the country manufacturing electrical transformers, fluorescent lamps and bulbs, cells, tensile wires and ceramics. Others are lacbon, connectors of various types and sizes, midget electrodes, steel wires, glucose isomerase and isomerase syrup, ceramic capacitators and break-linings and clutch-facings. Some new fields are precision coiled and flat springs, acetate sheets, sheep and goat casing for sausages, extra high-voltage power transformers and spinning parts with cover and ring.

PILOT PROJECTS

One important field is the manufacture of power tillers and all the five units in India have Japanese collaboration. Japanese farmers are also providing agricultural knowhow in various pilot projects.

The Japanese are also associated in the construction of the Cochin shipyard. Besides, six tankers are being built in Japanese shipyards, each of 87,500 dwt, for the Shipping Corporation of India. One of these has already been delivered.

Some Japanese firms are engaged in wholesale trade in commodities other than foodstuffs. A Japanese bank and a fire marine insurance company also function in India.

A study by Japan's Industrial technology places exports to India at 3.6 percent of the total such exports valued at 15.7 billion yen during the fiscal year ended March 1972. India is one of Japan's five southeast Asian markets importing technology and is part of the nine national markets.

LACK OF INTEREST

An example of Japanese lack of interest in India is the field of patent registration where the number has been steadily going down. The available figures show that it fell from 83 in 1968 to 58 in 1970 and 46 in 1972. The respective figures for Australia which heads the list of Japanese patent applications in southeast Asia are 862, I335 and 1057.

The present Japanese private investments are in the medium-scale industry. The only assistance in the largescale industry is in the public sector. Funds for the proposed Bhatinda fertiliser project have been committed but are due for two more plants out of the five to be set up during the current plan.

NEW TECHNOLOGY

Two Japanese firms — Mitsui and Mitsubishi — have given their ideas to the central department of mines for the setting up of a coal liquefication plant and tests on Indian coal for the extraction of crude oil are being undertaken with the assistance of experts from the two firms.

It is a fact, however, that during the last few years a new technology, western in concept but oriential all the same, has been flowing in from Japan to India particularly in the chemical, general machinery and electrical machinery industries. But at present it only supplements western technology and has not reached a stage when it can supplant it. —(NPA)

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